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Canada, Railways, Canals and
Telegraph Lines, Standing Committee, 1938

SESSION 1938

HOUSE OF COMMONS

Government
Publications

(STANDING COMMITTEE)

ON

(RAILWAYS, CANALS AND TELEGRAPH LINES)

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

BILL No. 31—THE TRANSPORT ACT, 1938

No. 6



FRIDAY, MAY 13, 1938

WITNESSES:

- Mr. C. J. Burchell, K.C., Halifax, N.S., representing the Provinces of Nova Scotia, New Brunswick, Prince Edward Island, and the Transportation Commission of the Maritime Board of Trade.
- Mr. J. D. McKenna, Chairman, Transportation Commission of the Maritime Board of Trade.
- Mr. J. W. Boulter, Manager, Prince Edward Island Potato Growers' Association.
- Mr. R. E. Mutch, Board of Trade, Charlottetown, P.E.I.
- Mr. D. R. Turnbull, Vice-President, Transportation Commission of the Maritime Board of Trade.
- Mr. E. E. Bryant, Furness Withy Steamship Company.
- Mr. A. Routhier, K.C., Attorney General's Department, Province of Quebec, representing the Province of Quebec.
- Mr. I. Pitblado, K.C., Winnipeg, representing the Canadian National Millers Association.
- Mr. C. A. Lahey, Vice-President, Quaker Oats Company, Chicago.
- Mr. R. C. Cutting, Manager, Quaker Oats Company, Peterboro, Ont.
- Mr. C. LaFerle, President, The Canadian Industrial Traffic League, Toronto.
- Mr. J. Mayor, The Canadian Industrial Traffic League, Toronto.
- Mr. C. Gowans, Vice-President, Corn Exchange Association, Montreal.

OTTAWA

J. O. PATENAUME, I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1938

MINUTES OF PROCEEDINGS

FRIDAY, May 13, 1938.

The Standing Committee on Railways, Canals and Telegraph Lines met at 10.30 a.m. Sir Eugene Fiset, the Deputy Chairman presided.

Members present: Messrs. Barber, Bertrand (*Laurier*), Bonnier, Brown, Clark (*York-Sunbury*), Damude, Duffus, Edwards, Elliott (*Kindersley*). Emerson, Fiset (*Sir Eugene*), Gladstone, Grant, Hamilton, Hansell, Hanson, Howden, Isnor, Johnston (*Bow River*), Lockhart, MacInnis, MacKinnon (*Edmonton West*), McCallum, McCann, McCulloch, McIvor, McKinnon (*Kenora-Rainy River*), McNiven (*Regina City*), Mutch, O'Neill, Parent (*Terrebonne*), Ross (*Moose Jaw*), Stevens, Straight, Wermenlinger, Young.

In attendance: Hon. Mr. Howe, Minister of Transport; Hon. Mr. MacDonald, Premier of Nova Scotia; Mr. W. E. Campbell, Chief Traffic Officer, Board of Railway Commissioners; Mr. W. J. Matthews, Law Branch, Department of Transport.

Bill No. 31, An Act to establish a Board of Transport Commissioners for Canada, with authority, in respect to transport by railways, ships and aircraft.

A letter received from the MacKenzie Air Service Limited of Edmonton, Alberta, was read into the record.

Mr. C. J. Burchell, K.C., Halifax, N.S., was called. He read a brief submitted on behalf of the Provinces of Nova Scotia, New Brunswick and Prince Edward Island, and of the Transportation Commission of the Maritime Board of Trade urging that Bill No. 31 be amended so that water traffic between the Maritime Provinces and ports on the St. Lawrence River and Great Lakes be omitted from its provisions.

Mr. Burchell retired.

Mr. J. D. McKenna, Chairman, Transportation Commission of the Maritime Board of Trade, was called. He made a plea for Canadian shipping interests, stating that this bill would raise transportation rates.

Mr. McKenna retired.

Mr. J. W. Boulter, Manager, Prince Edward Island Potato Growers' Association, was called. He urged that no action be taken that would impede water traffic.

Mr. Boulter retired.

Mr. R. E. Mutch, Board of Trade, Charlottetown, P.E.I., was called. A resolution adopted by that board of trade was read, and one from the Wholesale Grocers' Association of Prince Edward Island urging that provincial interests be safeguarded.

Mr. Mutch retired.

Mr. D. R. Turnbull, Vice-President, Transportation Commission of the Maritime Board of Trade, was called. He opposed the bill on the ground that it would raise rates by rail and water.

Mr. Turnbull retired.

Mr. E. E. Bryant, Furness Whithy Steamship Company, was called. Mr. Bryant feared that traffic would be routed via American ports instead of through Halifax as the result of the passing of Bill No. 31.

Mr. Bryant retired.

The Committee adjourned at 1 p.m. until 4 p.m.

The Committee resumed at 4 p.m. with Sir Eugene Fiset, the Deputy Chairman presiding.

Members present: Messrs. Barber, Bertrand (*Laurier*), Bonnier, Brown, Duffus, Edwards, Elliott (*Kindersley*), Emmerson, Fiset (*Sir Eugene*), Hanson, Harris, Howden, Isnor, Lockhart, MacInnis, McCann, McCulloch, McIvor, McKinnon (*Kenora-Rainy River*), McNiven (*Regina City*), Maybank, Mutch, O'Neill, Parent (*Terrebonne*), Ross (*Moose Jaw*), Stevens, Young.

In attendance: Mr. W. E. Campbell, Chief Traffic Officer, Board of Railway Commissioners.

Mr. A. Routhier, K.C., Department of Attorney General, Provincial Government of Quebec, was called and heard for that province. Rights and obligations, he contended, should not be infringed upon.

Mr. Routhier retired.

Mr. I. Pitblado, K.C., Winnipeg, was called. He appeared for the Canadian National Millers Association, read a submission on behalf of that association containing suggested amendments and addressed the Committee in respect thereto.

Mr. Pitblado retired.

The Committee adjourned at 6 p.m., until 9 p.m.

The Committee resumed at 9 p.m. with Sir Eugene Fiset, the Deputy Chairman presiding.

Members present: Barber, Clark (*York-Sunbury*), Duffus, Edwards, Elliott (*Kindersley*), Fiset (*Sir Eugene*), Grant, Hamilton, Hanson, Howden, Lockhart, McKinnon (*Kenora-Rainy River*), McNiven (*Regina City*), Mutch, O'Neill, Ross (*Moose Jaw*), Stevens, Stewart, Young.

In attendance: Mr. W. E. Campbell, Chief Traffic Officer, Board of Railway Commissioners.

Mr. C. A. Lahey, Vice-President, Quaker Oats Company, Chicago, was called. He read a brief respecting the activities of his company in Canada in respect of this bill, and asserted that unregulated water rates from the head of the lakes would prejudice the interests of his company.

Mr. R. C. Cutting, Manager, Quaker Oats Company, Peterboro, Ont. was called. He supplemented the information supplied by Mr. Lahey.

Mr. Lahey and Mr. Cutting retired.

Mr. Pitblado was recalled for further hearing and examination.

Mr. Pitblado retired.

Mr. C. LaFerle, President, The Canadian Industrial Traffic League, was called. He read a brief respecting the proposed "vicious legislation".

Mr. LaFerle retired.

Mr. J. Mayor, The Canadian Industrial Traffic League, was called. He outlined several suggested amendments to the bill.

Mr. LaFerle was recalled for further questioning.

Mr. LaFerle and Mr. Mayor retired.

Mr. C. Gowans, Vice-President, Corn Exchange Association, Montreal, was called. He advocated amendments to Parts II and V of the bill.

Mr. Gowans retired.

The Committee adjourned until Thursday, May 19, at 10.30 a.m.

JOHN T. DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, Room 277,

May 13, 1938.

The Select Standing Committee on Railways, Canals and Telegraphs, met at 10.30 a.m. Sir Eugène Fiset, the Deputy Chairman, presided.

The DEPUTY CHAIRMAN: Order gentlemen.

The first on the list to be heard is Mr. Charles J. Burchell, who represents the provinces of Nova Scotia, New Brunswick and Prince Edward Island and also the Transportation Commission of the Maritime Board of Trade.

But before going on with the hearing of evidence, Colonel Vien has received a letter from Mr. W. Leigh Brintnell, president of the Mackenzie Air Service Limited, which reads as follows:—

“Edmonton, Alberta,
May 11th, 1938.

Dear Colonel Vien:

I arrived in Ottawa too late to attend the hearing of the Committee on the Transport Act. I have since read the Act and I want to take this opportunity of expressing my approval of the broad principle of the Act in behalf of Mackenzie Air Service.

I feel that it is absolutely essential that the aviation industry be protected as it is in every other country, and if the Act is interpreted leniently by someone who thoroughly understands the business, I believe that the Act will have the effect of building up strong operating organizations across the country who are able to render to the public the most efficient service and to enable them to continue to purchase the latest and best type of aircraft for their operations.

Yours very truly,

MACKENZIE AIR SERVICE LIMITED,

(Signed) W. Leigh Brintnell,
President.”

CHARLES J. BURCHELL, Solicitor for the governments of the provinces of Nova Scotia, New Brunswick, Prince Edward Island, and the Transportation Commission of the Maritime Board of Trade, called:

The DEPUTY CHAIRMAN: Go ahead, Mr. Burchell.

The WITNESS: Mr. Chairman, and gentlemen of the committee; may I say that I am appearing for the governments of the provinces of Nova Scotia, New Brunswick and Prince Edward Island and also the Transportation Commission of the Maritime Board of Trade. I have with me here a delegation consisting of the Premier of the Province of Nova Scotia, the Hon. Angus L. Macdonald; the Hon. B. W. LePage, Chairman of the Executive Council of Prince Edward Island; Mr. R. E. Mutch of Prince Edward Island; Mr. J. W. Boulter, Chairman of the Prince Edward Island Potato Growers' Association; Mr. J. D. McKenna, Chairman of the Transportation Commission of the Maritime Board of Trade; Mr. D. R. Turnbull, of the Department of Agriculture, Halifax; Mr. E. E. Bryant, of the Furness Withy Steamship Company; Mr. A. T. O'Leary of the Inter-provincial Steamship Company and Mr. G. C. Cunningham of the Department of Agriculture, Halifax, Nova Scotia.

I have a memorandum to submit which I will read and then I am going to ask the chairman and the committee to permit five or six members of the delegation to speak on certain aspects of the brief, as they are practical men and know the subjects better than I do. With your permission I will read the memorandum I have prepared which has been submitted to the governments of the three provinces and is approved by them.

MEMORANDUM WITH RESPECT TO BILL 31 OF THE HOUSE OF COMMONS OF CANADA ON BEHALF OF THE GOVERNMENTS OF THE PROVINCE OF NOVA SCOTIA, THE PROVINCE OF NEW BRUNSWICK, THE PROVINCE OF PRINCE EDWARD ISLAND AND THE TRANSPORTATION COMMISSION OF THE MARITIME BOARD OF TRADE.

The matter of cheap transportation between the Maritime Provinces and the Central Provinces is of vital importance to the people of the Maritime Provinces.

Isolated as the Maritimes are from the rest of Canada, the problem which is perhaps the most important of all problems to our people is that of transportation. Unless the Maritime Provinces can get cheap transportation for their natural products and manufactured goods, it is impossible for them to find a market for same in Central Canada. It is perhaps not putting it too strongly to say that the future prosperity of the Maritimes under Confederation is solely dependent upon cheap transportation facilities to the markets of Central Canada.

And, of course, that is especially true in these days of high tariffs. We are shut out largely from the markets of the world.

The people of the Maritime Provinces have very unpleasant recollections of the great increases in freight rates which were made in the Maritime Provinces between the years 1912 and 1918, and which amounted to about 20 per cent over and above the increases made in other parts of Canada during the same period. These increases were found by the Duncan Commission to have been improper and to have imposed a burden which was responsible in very considerable measure for depressing abnormally in the Maritimes the business and enterprise which had originated and developed before 1912, on the basis and faith of the rate structure as it then stood. The Maritime Freight Rates Act to some extent rectified that wrong to the Maritimes.

The governments of the three Maritime Provinces fear that the enactment of Bill 31, insofar as its provisions control water traffic between the Maritime Provinces and the St. Lawrence River and Great Lakes, will result in increased freight rates both by water and by rail. They also fear, if water transportation is placed under the control of the Board of Railway Commissioners, that business and enterprise which has originated and developed in the Maritimes, in reliance upon the fact that there would always be cheap water transportation between these Provinces and the Province of Ontario and Quebec, will be again abnormally depressed, and that future development of business in the Maritimes will be stunted.

A somewhat similar Bill was introduced in the Senate of Canada last year, known as "Senate Bill B". While that Bill in terms included traffic between the Maritime Provinces and River St. Lawrence and Great Lake ports, the Minister of Transport explained to the Senate Committee, on the hearing of the Bill, that the particular need for the control of water transport was from Montreal to the head of the Great Lakes, where there was a demand from the shipping industry itself for Government regulation. He further stated that there was no such demand for regulation in respect of salt water traffic or traffic between ocean and lake ports and no particular reason why the provisions of the Bill should be

[Mr. C. J. Burchell, K.C.]

applied to such traffic. The following is an extract from the Minutes of Evidence before the Standing Committee of the Senate on Railways, Telegraphs and Harbours:—

Hon. Mr. HOWE: The first departure in this Bill is to regulate transportation by water. I may say that it is not the intention to apply this regulation to coastwise shipping on the two oceans. I think there is no great demand for it there and no particular reason why it should be applied.

In the original bill it applied to traffic between all provinces—in the original bill in the Senate last year.

Hon. Mr. BLACK: Why not say that in the Bill, Mr. Howe?

Hon. Mr. HOWE: Regulation may apply later. You will notice the Bill is very flexible. It must necessarily be so. Its provisions are applied to any waters and to any class of ships that the Governor in Council may designate. I do not know at the moment any purpose in excluding the two oceans, although I may say it is not the intention to apply the Bill, nor will it be applied to either ocean unless the industry itself or a considerable portion of it signifies a wish to have the Bill so applied.

Hon. Mr. LAIRD: Have you got the power to apply it?

Hon. Mr. HOWE: We have the power, yes, under this Bill, in purely Canadian transportation.

Right Hon. Mr. MEIGHEN: Do you purpose applying it to traffic between ocean and lake ports?

Hon. Mr. HOWE: No, not at the beginning. The particular need for it to-day is from Montreal to the head of the Great lakes, where there is a tremendous surplus of tonnage, and where rates fluctuate as much as 100 per cent in the course of two or three weeks.

There is a considerable demand from the industry itself to apply this regulation on the lakes. I presume you will hear conflicting views from the carriers on this point, but I think you will find—it has been my experience—that a considerably predominant part of the tonnage on the lakes desire to have regulation applied.—Vol. 1, p. 2.

While Bill B was before the Senate last year, it was unanimously agreed by the Senate, (c) In the Committee of the Whole, after it had been reported out by the special committee, with the approval of the Minister, that its provisions should be amended so as to confine the operations of the Bill to traffic between ports on the Great Lakes and River St. Lawrence west of Father Point.

So that under the bill as passed by the Committee of the Whole we were exempt. After this amendment was made, the whole Bill was rejected by a majority vote of the Senate.

As suggested by the Minister there may be good reasons for the control of transport from Montreal or Father Point to the head of the Great Lakes. At all events, certain shipowners apparently consider it to be necessary on account of the intense competition and of the fact that there is a surplus of ships on the Great Lakes.

And we have nothing to say about that, that is a matter for consideration by those interested up here.

No reason, however, has been given for the control of traffic between the ports of the Maritime Provinces and ports on the River St. Lawrence and Great Lakes. Shipowners have not asked for it and do not want it. Shippers certainly do not want it and the Government of the three Maritime Provinces do not think it necessary or right that the traffic should be so controlled.

I think I can make the statement generally that nobody in the Maritime provinces wants it, unless it is some person connected with the railways.

The only reason which can be suggested for giving the control of such traffic to the Board of Railway Commissioners is that it will lessen competition with the Railways and thus enable the Railways, which operate between these ports, to increase their freight charges, during the months when the St. Lawrence is open for navigation, to the same schedule as is charged in the winter months when navigation is closed.

The Maritime Provinces object to an increase in Railway rates, which is brought about by an artificial control of their water transportation facilities, such as is proposed in the present Bill.

PRESENT POSITION

The present position is as follows:—

1. As soon as navigation opens on the River St. Lawrence, and so long as it remains open, the Railways quote a substantially lower rate for a number of commodities, not all commodities, moving both ways between the Maritime Provinces and ports on the St. Lawrence River and Great Lakes.

2. The rate which the Railways quote is a water competitive rate and is not under the control of the Board of Railway Commissioners.

The railways are free under the Railway Act to quote any rate they like to meet water competition, and the board has no control over that.

3. Admittedly, water transportation is considerably cheaper than rail transportation between the Maritime Provinces and the River St. Lawrence and Great Lakes.

Several steamers are engaged in the traffic which run a regular service.

In addition to the regular service, ships can always be chartered to carry cargoes as occasion may require.

4. During the open season of navigation, the Railways, by quoting a low rate, obtain, at present, by far the greater amount of traffic, (coal excepted) moving both ways between the Maritime Provinces and the Great Lakes and River St. Lawrence, although usually at least seven steamers are regularly engaged in this trade, in addition to any tramp steamers or special steamers which may be employed.

The rail rate is never as low as the water rate, but approximates so closely to the water rate, that most shippers find it more convenient to ship by rail, rather than by water.

If, however, the Railways did not reduce their rates during the open season of navigation, it is certain that a very substantial amount of tonnage of freight would move by water, instead of by rail.

The factor which decides whether freight is to be moved by rail or by water is the differential between the rail rate and the water rate. If the differential between rail and water is increased, more freight will move by water and less by rail. The more closely the rail rate approximates the water rate, the more the traffic will move by rail.

Because of the fact that all British ships are entitled to engage in the coasting trade of Canada, the Maritime Provinces at the present time are able, if required, to secure ships of any size and character, registered in any part of the British Empire for the purpose of their carrying trade, as well as ships registered in Canada.

In a Memorandum submitted by the Chamber of Shipping of the United Kingdom on behalf of Coastal Shipping to the Transport Advisory Council in England, on October 12, 1936, the following statement was made:

An investigation was being made at the time over in England—an attempt was made over there, which has not yet been put into effect, to coordinate rail,

[Mr. C. J. Burchell, K.C.]

water and road traffic. The following statement was made by the Chamber of Shipping. This is in respect to England.

Carriage by water is, and must remain, the cheapest form of transport for a large volume of internal traffic. Failure to take the fullest possible advantage of the economy of coastwise carriage for goods in large quantities must injure heavy industries and the export trade in particular and much other trade in general. The economic advantage of water-borne traffic has been recognised on the Continent, where coastal and river services have been supplemented at great expense by an elaborate system of inland waterways communicating with the sea. Yet these advantages fall far below those which the United Kingdom possesses in a long and indented coast line with densely populated centres within easy reach of the ports. Much public money has been and is being, spent on these ports. Their welfare depends on the coasting as well as the foreign trade. Any diminution of the coasting trade will re-affect injuriously on the ports and decrease the volume of employment available for shore labour in the port areas.

The same statement is equally true of the ports in the Maritime Provinces. At the City of Sydney, for instance, the Department of Public Works is now completing (they have been working at it for the last three years) the construction of new docks and warehouses, costing upwards of \$250,000. These docks and warehouses are being erected primarily for the purpose of taking care of the traffic by water between the port of Sydney and ports on the River St. Lawrence and Great Lakes, which has very considerably increased during the past five years. Large expenditures have been made at other ports of the Maritime Provinces to take care of this traffic. A substantial amount of employment in the Maritime Provinces is contingent upon the continued operation of water transportation and port facilities in connection with such transportation.

On the 13th day of November, 1929, Mr. E. J. Foley, C.B., the Principal Assistant Secretary of the Mercantile Marine Department of the Board of Trade in England, stated in giving evidence before the Royal Commission on Transport as follows:—

....it must be borne in mind that the existence of an efficient and adequate coasting shipping service is of manifest importance, especially in time of war or civil emergency. The carriage of coal and other bulk and general cargoes, and the distribution of food discharged at the larger ports from ocean-going ships to smaller U.K. ports, depends upon coastwise shipping. As almost every large centre of population in the U.K. is situated at or near the sea, the freest, most flexible and most economical distribution of the materials of industry and the means of maintaining life is impossible without full use of sea transport around the coasts.

Coasting shipping must not, therefore be allowed to be crippled by either railway or road competition, since in emergency the railways and the roads cannot alone meet the needs of the situation.

It is equally true in Canada, and particularly with respect to the Maritime Provinces, that coasting shipping must not be allowed to be crippled by either railway or road competition.

WHAT THE PRESENT BILL DOES NOT DO

It does not attempt to regulate water traffic in or out of the St. Lawrence River or Great Lakes from or to other ports of the world. Ships from the United States or from Newfoundland or Jamaica or England, or indeed from

any part of the world, if this bill passes in its present form, could carry natural products or manufactured goods from these countries to Montreal or to ports on the Great Lakes without regulation or restriction.

That is, of course, internationally recognized. The ships of any country can by international agreement trade freely in and out of the ports of another country carrying ocean ships—not coastal ships—carrying ocean ships. Ships from Newfoundland could not be subject to any restriction in entering our ports carrying fish from Newfoundland for instance into the St. Lawrence river in competition with ships from the Maritime Provinces. They can not be subjected to restriction.

The situation at the present time is that if railway rates are increased very much beyond the cost of water transportation, the shippers of the Maritime Provinces have always the alternative of chartering tramp steamers to carry this freight, in addition to the employment of the regular line of steamers. This Bill, however, for all practical purposes, takes away the privilege of chartering steamers or employing tramp steamers for this trade, so that shippers will have no alternative except to pay any increased cost in rates which may be imposed by the railways and regular line ships, under the authority of the board.

The licence must not only mention the ship which is licensed, but must also state the ports between which such ship may carry goods and the schedule of services which shall be maintained. When the licence is obtained, the licensee must be governed by the provisions of the Act in respect of tariff of the tolls to be charged for the transport of goods.

The shipowners who have licences will tend to have a monopoly, on account of the difficulty and delay in getting any other ships licensed, and of the fact that they may prevent other ships from being licensed if they can show that there is, at times, vacant space on their ships.

Any effort to artificially control water freight rates by means of a Board of Transport Commissioners is, it is submitted, impracticable and quite unfair to the interests of shippers in the Maritime Provinces.

The Bill does not attempt to control motor traffic.

I heard Mr. Duncan's presentation yesterday, and it was to me very interesting and bears on what I have to say now. The transportation position in the Central Provinces at the present time is that the motor truck has very substantially reduced the cost of transportation of certain goods between points in the Central Provinces. This raises very serious complications in respect of the shipment of commodities from the Maritime Provinces to the Central Provinces.

For instance, several millions of bushels of potatoes are shipped each year from the Maritime Provinces to the Central Provinces. During recent years, in an effort to meet motor truck competition, the Railways reduced rates for transportation of potatoes grown in the Central Provinces. An application was then made by the Governments of the three Maritime Provinces under the Maritime Freight Rates Act to the Board of Railway Commissioners to obtain a corresponding reduction on potatoes grown in the Maritime Provinces and Shipped to Ontario and Quebec. The Board in its decision, delivered on January 3, 1936, refused the application on the ground that it had been established by the Railways to their satisfaction that it was the low motor truck rates and not the reduction of Railway rates which was prejudicing the interests of the farmers of the Maritime Provinces.

The following is a quotation from the decision of the Chief Commissioner, the Honourable Mr. Guthrie, which was concurred in by the other Commissioners:—

In my opinion the applicants have failed to establish that the competitive tariffs on potatoes, which form the subject of this application,
[Mr. C. J. Burchell, K.C.]

have resulted either in the destruction of, or to the prejudice of the advantages provided to shippers in the Maritime Provinces under the Maritime Freight Rates Act in favour of persons or industries located elsewhere than in the select territory. The evidence submitted by the various parties represented establishes to my satisfaction that in the matter of potato shipments in Ontario the whole difficulty has arisen through motor-truck competition with the railways. Shipments of potatoes in Ontario by rail to Ontario points have become almost negligible while motor-truck shipments continually increase. The competitive tariffs established by the railways have had no effect whatever in respect of potato shipments from the Maritime Provinces to Ontario points. Cancellation of these potato rates would not improve the position of Maritime shippers in any degree, and would only result in depriving the railways of the small portion of the transportation of potatoes in Ontario which they have been able to retain even under a substantial reduction of rates.

I may say the case afterwards went to the Supreme Court of Canada and the decision was upheld.

There are several thousands of farmers in the Maritime Provinces dependent upon this trade. It was established by the evidence in the case in question that there are 10,000 farmers in the Province of New Brunswick growing potatoes and that in some years 90 per cent of the total export of potatoes from New Brunswick was to the Central Provinces. In Prince Edward Island, usually from about 50 per cent to 75 per cent of the export is to the Central Provinces.

The only method open to the shippers of potatoes from the Maritime Provinces to overcome the handicap of the cheap motor rates in the Central Provinces is cheap transportation by vessel or correspondingly cheap transportation by rail from the Maritime Provinces to the markets in the Central Provinces. If there is any increase in rates which would jeopardize their position, the effect would be exceedingly serious.

Mr. Boulter will speak to that and tell you the great importance of the continuance without restriction of the shipments of potatoes from Prince Edward Island.

Let me depart from my brief for a minute to refer to our premier who is here with us to-day. Our premier delivered an address in Toronto this week which some of you may have heard. I wish he could give the whole address here to this committee, because it would make a perfect setting for my brief. He pointed out, for instance, taking the year 1931, because that was a convenient year and he had all the records of it, though he tells me the figures would be much more startling if he had taken them for last year, but he pointed out, however, that because of protected industries—he was speaking of Nova Scotia and Ontario—the province of Ontario obtains \$50,000,000 a year by reason of the protection given by the tariffs.

By Mr. Edwards:

Q. That is problematical, of course.—A. Also that the province of Quebec obtained \$30,000,000. These are figures which he gave after careful examination. The province of Nova Scotia, on the other hand, is losing over and above any benefits it gets from tariffs nearly \$4,500,000.

Those are the figures which he gave, but they only tell part of the story. The other part of the story is this: The total value of the potato crop in the maritime provinces in the year 1936—and let me say that the potato crop is the biggest of all our crops in the maritime provinces, and it is the only crop from which we get immediate cash, except from the apple crop and that of course is very much lower, only about 25 per cent of the value of the potato crop—but the total value of the potato crop in the maritime provinces was \$11,567,000, according to the Canada Year Book.

In 1921, the last year in which we had free entry of potatoes into the United States, the exports from Canada largely from the maritime provinces were \$8,000,000.

The total value was \$11,567,000 in 1936. Our exports from Canada of potatoes in 1921, the last year in which we had free access to that market, were about \$8,000,000.

In 1926, the last year in which we had export of potatoes free to Cuba, the value was \$3,900,000. So that the exports to the United States, exports to Cuba, in the last years we have had free entry into those countries, was double the total value of our production in the maritime provinces. Of course, we can increase that to almost any amount.

Now, since the world has gone mad on tariffs, we have no market in any country in the world for table potatoes. We have a certain market for seed potatoes which we have developed, but for table potatoes there is no market at all. So that when the United States in 1921 prevented our potatoes going in there, and Cuba in 1926, the only market that was left for our potatoes in the maritime provinces was in the central provinces. We were driven into those markets by the tariffs; there was no other market for us.

I had occasion to go into the potato case very fully three years ago, and I want to say I take off my hat to the farmers of Prince Edward Island. In 1921, when they were driven out of the United States market, they came to Ottawa and they worked with the Department of Agriculture and developed a potato which was suitable for this market. They also developed a splendid system of marketing and of grading, with the result that they can command to this day a premium of 25 cents a bag more for their potatoes than is paid for the potatoes grown in Ontario and Quebec. I believe that is the figure. Is the premium 25 cents a bag, Mr. Boulter?

Mr. BOULTER: That varies according to the value of the potatoes in each year.

The WITNESS: However, you will explain that to the committee. It was approximately 25 cents in that year. New Brunswick, of course, followed suit, and the point I am trying to make is that by reason of the high tariff, which we put on ourselves and prevent other goods coming to Canada, we were driven out of the markets for our own potatoes and we were driven into the market in the central provinces. Now, we do not want to be driven out of the market in the central provinces by regulation of ships, and we very much fear, if this bill goes through, that that is what the result will be.

Let me say that I have not told you all the story, because we have developed a splendid market for seed potatoes. I do not want to go into the matter too fully. In Cuba they grow good potatoes, but the potatoes they grow are no good for seed and they are importing a substantial number of potatoes for seed. Prince Edward Island particularly, and New Brunswick, are supplying seed potatoes all along the coast, and New Brunswick did a very fine thing during the past year. Mr. Cunningham went down to South America and he was able to sell one million and half dollars' worth of seed potatoes to Uruguay and Brazil, so we are getting into the markets through growing a certified seed potato which is the equal of any potato in the world.

But our reliance to-day is on the markets up here, and if they are taken away from us then Prince Edward Island and New Brunswick will be badly hit.

What I have said in regard to potatoes applies also in respect to motor truck competition. You heard yesterday of the reduced rates that have been made, the startling reductions in rates which have been made in Ontario by the railways to meet motor truck competition. We have had no such reductions, I can assure you, in the maritime provinces as were given yesterday by Mr. Duncan. And that very seriously prejudices us because we are in competition with other commodities which we ship up from the maritime provinces, a good many things

[Mr. C. J. Burchell, K.C.]

besides potatoes. Unless we can get the cheapest transportation by water for our commodities, we are going to be in a bad way.

By Mr. Howden:

Q. Mr. Chairman, I should like to ask the witness if he does not think that this bill is intended to reduce the cost of transportation rather than to increase it. Is it not, as it were, a slight of hand process permitting the railways to reduce their rates rather than causing others to boost their rates?—A. I would say decidedly not. That is the view we have.

By Mr. McIvor:

Q. You think it is the other way round?—A. We think it is the other way round. It will curtail the business of the steamship companies. Freight by steamer, in connection with a good many commodities, is half what it is by rail. The railways cannot compete with water transportation, if water transportation is given a freehand.

What applies to potatoes applies to other commodities shipped from the Maritime Provinces to the Central Provinces of Canada which are in competition with commodities of a similar kind produced in the Central Provinces, having the benefit of cheap motor transportation not subject to regulation by the present Bill.

It is submitted that it would be quite unfair to the Maritime Provinces for the Dominion Government to control its water transportation facilities to the markets of central Canada, and leave uncontrolled the motor truck competition in other parts of Canada.

In Bill 31, section 2 (h), ships of 150 tons gross tonnage are exempt from regulation. This exemption may be of some value on the Great Lakes, but can be of no value in respect of ships operating between Maritime Provinces and the river St. Lawrence. Vessels of less than 150 gross tons would be too small to be of any value on such voyage.

To illustrate the far-reaching effect of the present Bill, we would mention the fact that a very large quantity of goods from overseas, particularly from the Far East, is carried by steamer direct to the ports of Halifax and Saint John, and is there landed and transshipped by rail or water to St. Lawrence and Great Lakes ports. These goods are carried on through bill of lading and the incoming steam pays the forwarding rate from Halifax or Saint John to ports on the St. Lawrence river or Great Lakes.

Mr. Bryant will give you some details on that, but by actual contrast there were 102 ships that came into Halifax from the Far East with that traffic.

Arrangements as to rate have to be made many months in advance, frequently one year. They are made in London or in Bombay or Singapore or some other place.

A substantial amount of this tonnage is now transshipped by water from Halifax and Saint John to Montreal and other ports on the Great Lakes. If any attempt is made to take away from the shippers and shipowners the negotiation and final settlement of the rate of freight on these goods from Halifax and Saint John to St. Lawrence or lake ports, or to compel this freight to be carried only in licensed ships, it may have the effect of diverting a large part of this traffic from maritime ports because it is essential that the through rate which is made at the port of shipment—perhaps London or perhaps some port in the Far East—should be maintained.

A very large number of steamers make Halifax and Saint John a port of call in connection with such trade and it is important in the interests of these two ports that nothing should be done to divert such traffic to American ports, where it formerly went and where it would again go if the traffic was hampered by regulations such as are imposed by the present Bill. On transshipment from American ports to St. Lawrence ports, this Bill would not be applicable.

It should also be mentioned that if the steamer which carries the goods from overseas to Halifax and Saint John continued on the same voyage to Quebec or Montreal, and does not tranship same, the Act would not apply. It is therefore quite unfair to the maritimes that because of transshipment at Halifax or Saint John, the Act should be made applicable to such cargoes.

This is but one illustration of others which could be given showing the impracticability of attempting to regulate the rate of freight on goods moving from maritime ports to St. Lawrence and Great Lake ports, or to control such traffic by a licensing system, and the injury which will be thereby caused to the Maritime Provinces.

For the foregoing, among other reasons, the governments of the provinces of Nova Scotia, New Brunswick, and Prince Edward Island and the Transportation Commission of the Maritime Board of Trade respectfully ask that that present Bill should be amended so that water traffic in either direction between the maritimes and ports on the St. Lawrence and Great Lakes should not be included in its provisions.

In my memorandum, I have said nothing about agreed charges. The committee has heard, I expect, all there is to say about agreed charges.

By Mr. Edwards:

Q. Do you object to the principle of agreed charges?—A. With respect to agreed charges, I do submit that it does seem to me unfair to put in the hands of the railway companies, which operate twelve months of the year, the power to make agreements with shippers for twelve months of the year and use those powers against the steamship companies which in Canada can only operate seven months of the year on the Great Lakes. The steamship companies cannot make agreements for twelve months of the year, but the railways can.

What we fear—it may or may not work out that way—is that if the railways do make agreements with one or two of the large shippers down there to carry their freight the year round all rail, nothing by water, it will mean that the present ships will not be able to continue operations. Of course, if that happens, no new ships will ever come in. It will only mean that the railways will make an agreement with one or two of the larger shippers there to take care of this traffic as it is at present, which could be further worked up so as to make it unprofitable for ships, and if the present ships are driven out of business no new ships would ever start to operate and up would go the rates in the years to come. However, that has been dealt with. That is the only point I wanted to mention.

Q. What effect will it have upon the buyers of goods in the maritime provinces presuming that eastern firms in Ontario and Quebec ship their goods into the maritimes and prepay the freight? In that way they are free to make an agreed charge with the railway companies, and presuming they make this agreed charge at a low rate, the customer of course paying the freight ultimately, will it not result in cheaper goods to the customers at that end?—A. Possibly. That may be so. I must confess I have not examined that matter. I have not gone into the matter of agreed charges very thoroughly. I just wanted to mention that point which has been made by Mr. Campbell in his brief. Perhaps I might mention one other matter which Mr. Campbell also mentioned. Of course, what I am suggesting is that this bill should be confined in its operations to the carriage of goods or packages between ports on the river St. Lawrence and the Great Lakes. Some one will say that that would not be right to make a law of the Dominion of Canada applicable to just one section, just to the Great Lakes and the St. Lawrence river. But let me say there is a well-established precedent for that. Mr. Campbell referred to it when he referred to the British Commonwealth Shipping Agreement. That was an agreement that was signed by and between the United Kingdom and all the Dominions in 1931 at the time the

Statute of Westminster was signed, and under that agreement the different parts of the British Commonwealth agreed to have uniform laws, and agreed to allow coasting privileges of each of the countries open to all other countries. It is under this agreement to-day that British ships are allowed to engage in the coasting trade of Canada and Canadian ships allowed to engage in the coasting trade of Australia, and so on. Other matters are also agreed. That agreement was approved at the Imperial conference in 1930. I have here before me a report of that conference. This is the report of the conference on merchant shipping. They were then approving the report of the committee in 1929 on merchant shipping. On page 25 it reads:—

Canada reserves the right, when signing the agreement, to declare the extent to which the provisions of the agreement, other than those in part I, shall not apply to ships navigating the great lakes of North America.

So this is just a recognition by the United Kingdom and by all the nations of the British Commonwealth that the Great Lakes and St. Lawrence Waterway System constitute a separate ocean in themselves, and they are entitled to have separate laws different from all the laws in the British Empire. If, for instance, on the Great Lakes you wanted to say that no English ship should be allowed to coast under that reservation, you could do it. That being so, I see no reason why the parliament of Canada should have any hesitation in passing a law applicable only to the Great Lakes.

Q. There is just as much objection on the part of boat owners on the Great Lakes as there is on your part.—A. I daresay. I am not referring to that. If they want to do it, we have nothing to say about that. If they want to regulate it up there, that is out of our parish. If we send ships up here and they coast between ports on the Great Lakes, they have got to be licensed. If this committee wants to recommend that the bill should be confined to the Great Lakes, as we suggest it was primarily intended, according to the Minister's statement, I see no objection to it, because I am pointing this out, that the Great Lakes are recognized to be a separate ocean in themselves, and so recognized by all the nations.

By Hon. Mr. Stevens:

Q. Mr. Chairman, I would like to ask Mr. Burchill one or two questions so as to clarify a couple of points in his submission. May I just ask one preliminary question before I ask two or three specific ones. I understand from your submission that your contention is that you have a certain geographical or natural advantage during the open season of navigation which you desire to preserve in its original form. In connection with a shipper in the maritimes, we will say, of five hundred tons of potatoes—just as an illustration—that shipper at present has available not only the local shipping space that may be open, but also the space in any British bottom?—A. Right.

Q. A British bottom might, for instance, come to Halifax with a part cargo for Halifax and a part cargo for Toronto; the maritime shipper could then in advance charter that extra space and load it in Halifax, St. John or any other point for Toronto?—A. Quite right.

Q. Then, is it your contention that if this bill passes and the licensing feature is applied the machinery which is commonly used in making such charters would be inoperative or impracticable under this bill?—A. Quite right.

Q. Another point I wish to have emphasized or made clear is this: In the shipping business quick contracts for space is usually the practice. That is, a shipper may be able to make a contract for space within twenty-four hours?—A. Sometimes within three hours.

Q. To his advantage?—A. Yes.

Q. And such advantage would be entirely lost were it necessary to deal only with licensed ships?—A. Completely lost.

Q. There is no question in your mind about that?—A. Completely lost.

By Mr. Young:

Q. Mr. Chairman, on page 4 of the submission, paragraph 2, speaking about the bill before the Senate last year, a certain amendment is mentioned therewith. The paragraph concludes: "After this amendment was made, the whole bill was rejected by a majority vote of the Senate." The inference there is, I think, that it was rejected on account of that amendment?—A. Oh, I do not think so.

Q. You are not intending to convey that impression?—A. No. I think probably the whole bill would have been rejected. We appeared before the Senate committee and, by a narrow vote of 12 to 13, I think they put us under the bill. They eliminated the local traffic but they included traffic from the Maritimes to the Great Lakes and back. They included that in the bill. Then it was reported in that way, and in committee of the whole, with the unanimous consent of the Senate, a motion was moved by the Honourable Mr. Dandurand, and that clause was amended. So that we were out from under the Act completely, and that only applied to the Great Lakes and the River St. Lawrence. Vancouver, I may say, was also eliminated. Traffic between Vancouver and the Atlantic coast was eliminated from the bill completely.

By Mr. Young:

Q. Mr. Burchell, the point is you did not intend that inference?—A. Absolutely not, no.

By Mr. Hamilton:

Q. On page 18 of your brief, the second paragraph, it reads:

It is submitted that it will be quite unfair to the Maritime provinces for the Dominion government to control its water transportation facilities to the market of central Canada, and leave uncontrolled the motor truck competition in other parts of Canada.

If motor trucks came within the provisions of the Act would not remove the main objection you take to the situation in the Maritimes?—A. Oh, no. That is only an incidental argument I am making. It would be all right if the motor trucks are under the Act, so that we are all on the same basis. There might be some basis of fairness about it then. It would not eliminate the point I made just now. It would eliminate one of the series of points, because potatoes moving between distances of 200 to 300 miles to-day move at very low rates of freight. In handling potatoes we are in competition with trucks. We ship quite a volume of potatoes by water. Where we formally had to meet competition by rail we now also have to provide against competition by the motor truck, and rates are very low. For instance, the rate on potatoes for a distance of 300 miles is very much lower in Ontario than it is in the Maritime provinces. And my point is, unless we get cheap water transportation or correspondingly cheap rail transportation which will enable us to keep these potatoes moving up there we will be in a bad way.

Q. It will not have any bearing, of course, on United Kingdom bottoms competing with Maritime ships?—A. Oh, no. We have no objection to the United Kingdom bottoms operating because they give us cheaper freight.

Q. They to-day would not come in under the licensing provisions of this Act?—A. Oh, yes; that is one of the points Mr. Campbell made. Mr. Campbell made that point the other day; I think he mentioned that under the British Commonwealth Shipping Agreement it was agreed that all ships of British registry have an equal right with our own ships to engage in the coasting trade

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of Canada. Canada signed that agreement in 1931, and Mr. Campbell made the point I have referred to; he suggested that the provisions proposed in this Act constitute an interference with that agreement; because the British ships could not enter into the trade say between Halifax and the Great Lakes without getting a licence, and he suggested that licences would only be given to our own ships first. That was not what was intended under the British Commonwealth Shipping Agreement. I will read to you the clause:—

Part 4, article 11. While each part of the British Commonwealth may regulate its own moving trade, it is agreed that any laws of regulation from time to time in force for that purpose shall treat all ships registered in the British Commonwealth in exactly the same manner as ships registered in that part, and not less favourably in any respect than ships of any foreign country.

Under that clause ships owned by England or Australia have the same right to engage in the coastal trade of Canada as our own ships. Mr. Campbell suggests that this licensing provision is contrary to the intent of that agreement.

By Hon. Mr. Stevens:

Q. That is merely a restatement of a very ancient practice?—A. It is merely a restatement of a very ancient practice. It has always continued. And when the shipping agreement was being redrafted in 1929 that clause was continued so as to allow British ships to engage in coasting trade in this country. This is a five year agreement which expired in 1936, but is self-renewing unless any one of the dominions gives notice of cancellation.

The DEPUTY CHAIRMAN: Who is your next witness?

The WITNESS: I was going to ask Mr. McKenna, Chairman of the Transportation Commission of the Maritime Board of Trade, to make a brief statement.

I thank you for your attention, Mr. Chairman.

The DEPUTY CHAIRMAN: Thank you. We will now call on Mr. McKenna.

JAMES D. MCKENNA, Chairman of the Transportation Commission of the Maritime Boards of Trade, Saint John, New Brunswick, called:

The WITNESS: Mr. Chairman and members of the committee: I will try to be very brief. You have heard the presentation by Mr. Burehell. I represent the Transportation Commission of the Maritime Boards of Trade, a body representing Nova Scotia, Prince Edward Island and New Brunswick, working in close co-operation with the three governments of the Maritime provinces, and charged with the supervision of transportation rates as they apply to the Maritime provinces.

The three Maritime provinces are opposed to this bill in principle because if it is put into effect it practically destroys the geographical position of the Maritime provinces and advantages which we enjoy through our ocean situation. And I may say that we not only take that view in regard to our own coastline, but we hold the same view in regard to the application of this bill to the Pacific ports. Last year when this measure was brought up we were told that it originated among these lake shipping interests who desired to remove certain chaotic conditions existing there; and with that we had no quarrel. We did object, however, to any application of its principles to the Maritime provinces without any request for it by the Maritime provinces or the shipping interests of the Maritime provinces. We did object to the suggestion that that legislation be applied to our area. We thought it was unnecessary and that it would be prejudicial to the shipping interests of the Maritime provinces. And, as Mr. Burehell quoted from the remarks of Mr. Howe, the remarks of Mr. Howe were to the effect that the principle would not apply to the Maritime provinces until

such time as support came from the shipping interests there. Now, instead of support coming from the Maritime provinces for the principles of this bill there is unanimous opposition from the three provinces and from the shipping interests domiciled there.

Mr. Chairman, if I may be pardoned for going back just a little bit into ancient history—I will be brief—about 1902 the Dominion government in its wisdom decided to build up a Canadian lakes fleet, and at that time Sir Clifford Sifton proposed that the entire credit of Canada should be put behind such an effort. That fleet has been built up and from time to time regulations have been brought in preserving to the fleet operating in the Great Lakes certain privileges that are afforded in the United States to United States shipping. Another enactment along the same lines to strengthen Canadian shipping was in the 10 per cent preference given under the British preferential tariff on goods landed in Canadian ports; and for a few years there was applied to Canadian shipping practically the same enactments as prevailed in the United States to protect American shipping.

Now, it seems to me, that is the whole policy of governments of Canada during the years from 1902; to build up Canadian shipping. In view of that it would seem as though this is a retrograde movement to impede the growth of Canadian shipping in so far as ocean ports are concerned. We in the Maritime provinces enjoy much lower rates than we did before due to the fact that water transportation has been regularly instituted during the summer months. I think there is only one line—the Warren line—that runs regularly from the ports of Halifax and Saint John to the Great Lakes, so the amount of traffic involved is not great. However, the effect of operating these boats particularly to the fishing and agricultural interests and certain manufacturing interests in the Maritime provinces is very considerable. When I say to you that the freight on a barrel of flour from upper Canada was reduced from something like \$1.20 to 60 cents a barrel by water transportation, and that a similar reduction was made in regard to feed, flour-mill offal, you will appreciate that the effect of removing that competition, to the farmers at least, would be a very severe handicap. Take in the matter of fish products; there we enjoy certain lower rates due to the fact that the fish products of the Maritimes can be shipped to British Columbia and to upper Canada during the summer months by water; and when you consider that the fishing business of the Maritime provinces is in open competition with other countries of the world—it is in competition with Japan, Norway and Sweden—when you have that in mind I think you will agree with me that so far as the domestic trade of this country is concerned it is important that the transportation rate should be kept at as low a rate as possible. My information from one of the largest fish-packing concerns in the British Empire is that the rates on a shipment of fish from the Maritime provinces to the city of Montreal is higher than it is from Norway to Montreal. And, certainly the Japanese rates are very much lower than the rates we enjoy because of the fact that Japanese ships are coming here for scrap iron and so forth and they charge very low freight rates on commodities which are entering Canada very much more seriously each year, and competing with the lobster and other industries of the Maritime provinces.

By Mr. McIvor:

Q. Is that Japanese rate due to the war or is it a regular condition?—
A. No, sir; that is the regular rate.

There are many other disadvantages but I do not care to take up time here in connection with them; however, there are very many of them, and this simply adds another handicap to the fish trade, particularly the tin fish trade in the Maritime provinces.

The point I am making, Mr. Chairman, is this: That there is no restriction over Norwegian boats small enough to land their goods at Montreal, Toronto

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and other ports on the Great Lakes. They can do that under international law and there can be no restriction; but if there is restriction, further irritation, added to the movement of our boats on the part of Canada, then as I say it is simply another added disadvantage to the fishing industry of the Maritime provinces.

We feel that this bill in effect would tend to put the Maritime provinces from the practical standpoint somewhere out in Saskatchewan.

Mr. YOUNG: That would be a good place for them to be.

The WITNESS: Yes, good for Saskatchewan; but not for us.

I have nothing further to say. I do not want to take up the time of the committee, but there is one point I do want to emphasize. In view of the fact that it was stated last year by the minister that there would be no action taken so far as the Maritime provinces were concerned towards bringing them within the provisions of this bill unless there was a demand from the shipping interests there, I say to you that there is no demand, there is entire opposition. The governments of the three provinces concur in that opposition. Everybody there is opposed to it. The shipping interests of the Maritime provinces are opposed to it and certainly the manufacturing interests of the Maritime provinces are opposed to the bill, which can do nothing more than raise the transportation rates and destroy the privileges we enjoy due to our geographical position within the Maritime provinces.

We have no quarrel, however, with any regulation that may be made on the Great Lakes. With that portion of the bill we have no quarrel, with the Great Lakes and the St. Lawrence waterways. If they desire shipping conditions regulated that is their own business, it is none of ours. But I am speaking for the Maritime provinces and we are opposed to the principle of the bill. We think it can do no good and that it will work a serious hardship on the Maritime section of Canada, and certainly would work a hardship on the shipping interests of this country. And I think, Mr. Chairmah, it is only fair to point out that in our opinion the importance of Canadian shipping is such that it should be encouraged rather than discouraged; and it would be a very great thing indeed if our ocean ports were to receive the same kind of encouragement as was applied to fleets on the Great Lakes from 1902 on. We fully appreciate the advantage which has accrued to the west through the development and maintenance of this fine fleet of ships which serve that great part of our country. Now, I was born on the sea and I have this outlook, that I think it would be a great asset to Canada if as in days gone by a Canadian shipping flag was seen on the seven seas of the world.

Thank you.

The CHAIRMAN: Thank you very much.

Mr. Burchell, who is your next witness?

Mr. BURCHELL: I will call on Mr. J. W. Boulter, of Prince Edward Island.

J. W. BOULTER, Manager of the Prince Edward Island Potato Growers' Association, Charlottetown, P.E.I., called.

By the Chairman:

Q. Whom do you represent?—A. I am here representing the shippers and producers of Prince Edward Island.

The WITNESS: Mr. Chairman and gentlemen, Mr. Burchell and Mr. McKenna have been speaking for the Maritime provinces. I speak for Prince Edward Island, and the particular phase of interest I represent is the viewpoint of the producers and shippers.

We have not heard of any person in Prince Edward Island who favours any interference or change in shipping regulations by water. Naturally we must take advantage of water shipment, and in the past we have been able on

account of water transportation to build up a very large trade with the country to the south. It has been referred to by Mr. Burchell that beginning about 1921 we were able to develop a tremendous trade in certified seed potatoes. Our province is naturally well adapted to the growing of potatoes, and we find, or plantologists found, that we were producing potatoes that were practically free from virus diseases—or, if you like, constitutional diseases—that affect the yield. The United States growers discovered this and before many years we were making a great development in the growing of certified seed and in the marketing of it in the United States. In 1922 we were only selling about 153,000 bushels of certified seed a year but by 1930 or 1931—I am not sure which—the quantity of certified seed potatoes shipped from Prince Edward Island to the United States was almost 2,000,000 bushels, or 1,800,000 more than formerly. Then, of course, higher tariffs prevented the continuance of our market on so large a scale. At the same time the buying power of the people of the United States, particularly the farmers or the potato growers became much less.

By Mr. Edwards:

Q. That was on account of high tariffs in foreign countries?—A. High tariffs imposed by foreign countries, yes.

Mr. HANSON: That was retaliation.

The WITNESS: That of course curtailed the volume of our shipments. At the same time we of course had a great quantity of table stock potatoes which we marketed, perhaps in central Canada, perhaps in Cuba. The word perhaps is not the one I should use, but they were shipped to these points and to some extent to the United States. Now of course we always use steamers for shipment to the United States. Rail shipments were prohibitive. The rates were so high that we could not compete with countries producing seed and we had to use water transportation. When we look on our situation in Prince Edward Island we must remember that we are almost entirely agricultural, and while we follow a system of mixed farming, not confining ourselves to the growing of potatoes alone, for our acreage is not large, only about the percentage that you would expect; yet this is a cash crop with our farmers which they wish to dispose of. And in addition to the markets outside of Canada we look to the markets of central Canada and sometimes further west for an outlet for our table stock. It is pointed out that we formerly had a large market in Cuba for table stock. We have lost that market entirely and the only potatoes we ship to Cuba to-day are certified seed potatoes which are allowed to enter that country to a degree. Now then, that brings us down to the central Canada market as about the only outlet we have to-day for table stock, and you can see how important it is that nothing should be done which in any way would increase the transportation on our potatoes to those markets. We pay to-day a differential between water and rail transportation to Montreal of practically 15 cents a hundred pounds. The rate by water at the present time is 15 cents a hundred pounds and the rate to Montreal by rail is 29 cents or 30 cents per hundred pounds.

By Mr. Young:

Q. The rate differential is 15 cents?—A. That would be 15 cents, or 14 cents.

By the Deputy Chairman:

Q. Did you say 30 cents or 29 cents?—A. There are both. We have two zones, one taking a 29 cent rate and the other taking a 30 cent rate.

We have not the privilege, of course, of shipping by water any great length of time. Perhaps it is well on in October before we are able to move anything

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by water and navigation usually closes about the 1st of December. Then we opened this year not until the 1st of May. Sometimes we get a shipment away in April. So that the amount that we move by water is not very great in one sense of the word, and yet it enables us to put a considerable part of our shipment at that time on the market in Montreal and further west.

By Mr. Young:

Q. What is the present cost by water?—A. Well, I can scarcely tell you that. We do not ship by rail all during the year and at the present time the quantity would be very small, so that it does not—as was pointed out by Mr. McKenna—interfere to any great extent with the railways; but it is the effect that it has on the movement at this particular time of the year. Take for instance to-day, the price of potatoes in Montreal is so low that shipments by rail permits us to pay the farmer very, very little on them. On the Newfoundland trade we are able to pay from 25 to 30 cents a bushel of 60 pounds to the farmer. If we had to depend upon shipments by rail to Montreal we would have to reduce the price to the farmer.

By Mr. McIvor:

Q. How much?—A. I do not think we could pay him over 20 cents.

Now, that is a very low price to begin with. Twenty-five cents per bushel is so much below the cost of production that when you come down to 20 cents, which is 20 per cent of a reduction, it is quite a reduction. Now, it helps us, and we feel that any interference with these rates just handicaps our farmers. Perhaps I could just give you one illustration. I think Mr. Burchall referred to the exceptional quality of our potatoes. We do produce potatoes of high quality, not only for seed but for table stock purposes. Our grading regulations are very strict, and we are able to put on the Toronto market to-day potatoes which, as he said, command a premium. It is true that we cannot receive more for our table stock to-day than they are paying for Ontario potatoes in Toronto. The freight and handling charges would take up the whole amount. Now, let me illustrate that this way. Just the other day we received a letter from a large shipper in Toronto offering us about 85 to 88 cents for a 90 pound sack delivered at Toronto; and in the same letter the writer stated, we are able to buy freely Ontario potatoes delivered at our warehouse anywhere from 35 to 45 cents per 90 pound bag. Now, with a freight rate of 40 cents per hundred pounds to Toronto you can see how little there would be left; and if you took out the price of the container, well, you would not have anything at all. So that our potatoes on account of commanding a premium permit us to move a very, very limited quantity to-day by rail into Toronto.

We have no apologies to make in looking for lower transportation charges to these central markets. Potatoes are the only product that we can move to these markets from the farm, and you know what happens. We have a tremendous amount of cash that we must send to these central provinces. I was just thinking when I left the hotel that from my hat to my boots, I do not think there was anything I was wearing that did not come from the central provinces. So that is only one thing.

Then take our machinery and the other things that we require to carry on our work; the amount of money that goes from the maritime provinces to the central provinces is very heavy. Therefore, we feel that we are entitled to the very best transportation rates that can be allowed to move our produce from Prince Edward Island to the markets of central Canada.

By Mr. Howden:

Q. Mr. Boulter, may I interpose a question here? Would you please explain to us—to me anyway; I may be very dense—just why this bill will increase the rates on potatoes or anything else from the maritime provinces to

the central provinces?—A. Well, our opinion is that anything that will interfere and bring the rates under regulation—well, it does not look as though it will be in our interests. It looks as though it was more to cut out the competition between water transportation and rail transportation. Now, formerly, we were allowed a competitive rate by the railways on the movement of potatoes during open navigation to each province. Why did they give us that? They wanted more trade by rail and, naturally we prefer to ship by rail. We would rather ship by rail, other things being equal. With the competitive rates that the railways granted us, that was very good, and we did ship a great deal via rail. Now, why interfere with these water rates? They will certainly not reduce our rates.

Q. But the bill is not interfering with water rates, as I see the bill, and I suggest that it will give the railways an opportunity to make particularly low rates for shippers.—A. Why, then have they refused to give us the low rates for the last two years? They have withdrawn the special rates.

Q. But they cannot force your water rates up by this bill or any other bill?

Hon. Mr. STEVENS: Oh, yes.

Mr. HOWDEN: I do not see how they can.

Hon. Mr. STEVENS: Oh, yes; that is what it is designed to do.

The WITNESS: What is the object of it, unless there is something back of it with that intent in mind?

By Mr. Howden:

Q. The object is to permit the railways to have a private agreement with shippers whereby they can come down on the rates that already exist for your water transportation.—A. The railways already can make competitive rates, and they are making them all through Ontario and the other provinces. They are not giving us in Prince Edward Island the competitive rates which we formerly enjoyed. Does it look natural that when this goes through we can hope for any improvement in our transportation rates? It just looks the very opposite to us, and you know it would be serious for us if such a thing happened.

By Mr. Parent:

Q. What was the competitive rate?—A. Reduced from thirty cents a 100 pounds to twenty-five cents a hundred pounds to Montreal, and to thirty cents per 100 pounds to Toronto, which also gave us access to the other ports along the lakes, such as Hamilton, Windsor, and as far as Sarnia. And we were able to ship potatoes via the steamers to those ports. Now we have certain steamers on regular lines calling at our ports in Charlottetown and Summerside, but there is not a great deal of space. If many shippers are moving potatoes at a particular time, it is difficult to get the space you would like to have, and we found it necessary to charter a tramp steamer, perhaps not a very large steamer, but two or three shippers may combine and charter a tramp steamer. We feel that in this bill there will be difficulty in chartering a tramp steamer. It may be that we are working to-day and we see the possibility of moving a small cargo of stuff up the St. Lawrence and the Great Lakes, and we are in touch immediately with a tramp steamer. But how can that tramp steamer take our charter? They must first apply to the board, and who knows whether the rate to which we have agreed ourselves will be accepted by the board?

By Mr. Edwards:

Q. Will it not eliminate the tramp steamers? You say you will have difficulty in moving shipments via tramp steamers; will it be possible at all if this bill applies? It does not seem to me it will.—A. If they issue a licence to the tramp steamer, it will be possible; but we do not know. The owners or

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managers of this tramp steamer cannot give us a definite answer. They must first get in contact with the board and the board may or may not grant a licence. If they grant the licence, will they grant the rates, which also must be announced to them? Or will some other steamship line which has now a regular business object to the rates at which they agreed to charter?

These are difficulties that we see in the way which shut us out entirely from that natural means of transportation which nature gave us as compensation, I suppose, for some of the handicaps we must put up with, being an island.

By Mr. Hamilton:

Q. Are these cargoes on the ships generally part cargoes?—A. Generally part cargoes, but if we chartered a tramp steamer in all probability the whole cargo would be potatoes, not put off entirely at one port but at different ports right along.

By Mr. Parent:

Q. In that case it would be a full cargo and there would not be the necessity of having a licence?—A. It is not in bulk. They are in containers.

By Mr. Hamilton:

Q. If potatoes were included in the definition of bulk shipments, would that improve the situation?—A. That might, so far as tramp steamers are concerned, but not so far as the steamers that we are using to-day. Take this time of the year, we would not undertake to move a cargo of potatoes because there would be too great a volume for late in the season and there would be danger of sprouting. But in the fall of the year, take through October and November, we could easily handle it with tramp steamers. Our potatoes move to-day in steamers that are carrying other packaged goods.

By Mr. Young:

Q. Mr. Chairman, would the witness tell us whether the rail rate is the same during all portions of the year, that is, between the open and closed seasons of navigation?—A. It has been for the past two years. Formerly we had a competitive rate which applied to the 30th of November and began again sometime in April until the close of that season.

Q. You get that now through the whole year?—A. We do not get any competitive rates now at all.

Q. But you get the same rates?—A. We get the standard rate all the year.

Q. Is the standard rate to-day the same as the competitive rate was before two years ago?—A. Oh, no. The standard rate to-day is the same as it was two years ago. The competitive rate made a reduction of five cents per 100 pounds from Montreal to Prince Edward Island, and reduced the rail rate to 30 cents a 100 pounds to Toronto and the Lakes ports. It made that difference.

The difficulty we would like to emphasize in connection with tramp steamers is that it looks to us as though we would be entirely shut off, and no steamship company would be interested whatever in talking to us or in making arrangements for the moving of our produce in that way. You can see what a handicap that will be to us.

I do not wish to take up too much of the committee's time. There are a great many other things that will affect us but which may be dealt with by some other speakers. For instance, we have our flour and feeds which are brought in. It means a lot to us to have the opportunity of bringing them in in this way.

So that, speaking for the people of our province, we would like to register our objection to being included in this bill, and feel that,—as we have so many things that work against us because of our situation, you should not take from us the things that the Creator intended that we should enjoy.

By Mr. Howden:

Q. Is it your opinion that the licensing of these local ships that come up the St. Lawrence River into the central provinces would destroy the element of competition that now exists?—A. The licensing of them?

Q. That the licensing of them would destroy this element of competition, because if it does destroy the element of competition how is that going to push up your rates?—A. Yes, sir.

Q. How and why?—A. We can see no other purpose for it. We can see no other purpose for the bill.

By Mr. Edwards:

Q. You are not affected by the agreed charges section of the bill, are you?—A. Yes, we are affected by the agreed charges section. Take our situation as I have tried to outline it; it would be impossible for us to enter into or make any such agreement.

By Mr. Hanson:

Q. Why?—A. Some of our stuff must move by water. We cannot say to the railways, "We will give all of our stuff to you for movement by rail."

By Mr. Parent:

Q. Where will the bill interfere?—A. You are speaking of agreed charges?

By Mr. Edwards:

Q. Yes, it is just the agreed charges that I am asking about.—A. They could not come to us and say, "Well, now, we will fix a rate for you providing you ship your entire products by rail."

By Mr. Mutch:

Q. They can make an agreed charge on any percentage of your product?—A. Yes.

By Mr. Edwards:

Q. I was just asking you if you are opposed to the principle of agreed charges being entered into by any shipper?—A. Well, I have not given it so very much thought except so far as it concerns us, and I felt that we were not in a position to enter into these agreed charges. Beyond that, I had not given the matter any consideration.

Q. You would get no benefit from it?—A. No benefit that we can see.

By Mr. Mutch:

Q. Why? I cannot see, Mr. Chairman, why they would not derive benefit from it. They could get the full benefit of it by having all their potatoes moved to the central provinces.—A. If we are not able to get any competitive rates to-day, why would the railways make any agreement with us after this bill goes through? You know we cannot pin our hope on anything like that. We have had now application after application for a competitive rate during the past two years, and each application has been turned down cold. Now, then, after this goes through and everything is settled hard and fast, will they make any agreed charges with us?

Q. Your position is not only that you cannot see any hope, but that you fear it might be worse?—A. We can see no hope whatever. Because of our position, we feel that an advantage is being taken of us.

By the Deputy Chairman:

Q. Because you live on an island?—A. Because we live on an island. But in other parts of Canada where there are competitive rates, they can easily adjust these things to suit the demands. But we have not been given that

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treatment. How could we hope, after this bill goes through with all its regulations, to have any chance of making a satisfactory agreed charge? The very last thing we have to-day, transportation by water, would be taken away from us.

By Mr. Young:

Q. Providing that control of shipping is removed from the bill, then I take it you have no objection to the agreed charges section?—A. No, it would not affect us.

By Mr. Elliott:

Q. In the interpretation section, if potatoes were included as goods in bulk, as an exception, would that cover your requirements?—A. How is that?

Q. In connection with the interpretations on page 1 of bill 31, if we were to include potatoes as an exception—

Mr. MURCH: Bulk shipments.

By Mr. Elliott:

Q.—would that cover your objection?—A. Would it cover the objection if potatoes were allowed to go? No. I do not know about that. When you come to take these steamers that are carrying packaged goods, we would have to put our potatoes along with them. That would only cover potatoes, but we have other things that would be interfered with, the bringing in of flour, seeds, etc.

By Mr. Young:

Q. Suppose they were removed too?

By Mr. Mutch:

Q. I would not worry about the flour part of it.—A. That is what we think should be removed, and that we should be given an opportunity to continue our trade just as we have done in the past.

By Mr. Edwards:

Q. What proportion of the crop of potatoes or other products is moved from Prince Edward Island to the central points, like Montreal and Toronto, by water, after the crop season? In other words, what is left to be shipped?—A. We ship by carloads. There are hundreds and hundreds of carloads of potatoes dispatched throughout the year even while the steamers are carrying.

Q. Do you make a practice of moving as much of the crop as possible to central points during the shipping season by water in order to get that cheap rate, and then warehouse them?—A. That depends a great deal on the year. Take last year with potatoes as cheap as they were, it is dangerous. Storage charges would eat up any advantage you would have by the cheaper rate.

Q. There is not margin enough?—A. There is not margin enough in connection with the movement of potatoes to do anything like that.

By Mr. Mutch:

Q. Did I understand the witness, Mr. Chairman, to say, that the cost of production of potatoes on the Island was more than 25 cents a bushel?—A. Oh, certainly.

The DEPUTY CHAIRMAN: Gentlemen, I will now call upon Mr. Mutch.

R. E. MUTCH, representing the Charlottetown Board of Trade, called.

The WITNESS (Mr. Mutch): Gentlemen, this is one time when I would like to have had the training of a lawyer or a politician or a newspaper man or the training of the deputy minister of agriculture, because I have ideas on this subject that I may or may not be able to get across to you.

Mr. YOUNG: Then you will be able to tell the truth!

The WITNESS: I have not found any discrepancies in any of the statements that have been made this morning. I have read all that was possible for me to read of what has been said prior to this morning, and I pretty well agree with it all except what was said by those who in my opinion are responsible for the whole thing.

By the Deputy Chairman:

Q. Does that include all the members of the committee?—A. No.

Mr. HANSON: He is very diplomatic.

The WITNESS: I would class the bill as a child of the railways, and, if I might be permitted to say, perhaps illegitimate; at least, from our standpoint.

Now, I am here pinch-hitting for a man who should have been here. I am one of the members of the transportation commission headed by Mr. McKinnon.

I represent the Charlottetown board of trade. Mr. J. O. Hyndman was ill and not able to attend, and I was ordered to come and do the best I could.

Before leaving I was handed two copies of two resolutions that have been passed in Charlottetown, one by the Charlottetown board of trade and one by the wholesale grocers' association. Would it be in order to read those, Mr. Chairman?

The DEPUTY CHAIRMAN: Certainly.

The WITNESS: The one from the board of trade reads as follows:—

RESOLUTION PROTESTING AGAINST PROPOSED LEGISLATION TRANSPORT BILL

After a lengthy discussion by the Charlottetown Board of Trade, of Transport Bill No. 31, now awaiting consideration by the Federal Parliament, the Board gave unanimous instruction to the Council to prepare and forward to the proper parties, a resolution embodying the objections of the Board to the proposed bill.

The Council of the Charlottetown Board of Trade therefore, with the full authority of the Board, and speaking as they feel they are for the City of Charlottetown, and in the interests of the Province as a whole, says as follows:—

1. The matter of cheap transportation is one of vital importance to this Province.

2. Water transportation recognized as a low cost method of moving freight and passengers is one of the few advantages available to us.

3. Unless we are permitted to enjoy the advantages of this low cost method of transportation our situation will become intolerable.

4. The purpose of the Act is we submit to increase rates, otherwise the Act can serve no purpose, any increase in rates must of necessity fall heaviest on us who now suffer from the long haul necessary in reaching the large consuming centres of Quebec and Ontario, which markets were promised to us as an inducement to our entering Confederation. And also on our imports from those same centres which by reason of the closing down of many Maritime manufacturing plants are now our chief source of supply.

5. Many of our Maritime interests have been developed and are carrying on because of the fact that they are able to show a margin of profit made as the result of cheap water transportation, and should this our natural advantages be removed by artificial regulation of rates our advantage will be lost and our industries will suffer improperly.

6. Last year Transport "Bill B" was amended so as to exempt from regulation under the Bill water borne traffic between the Maritimes and points in the Great Lakes and St. Lawrence River, and we submit that it is even more necessary that the same be done with "Bill 31" for reasons given below.

[Mr. R. E. Mutch.]

7. Prince Edward Island is debarred from advantages of Interprovincial truck and bush services, which method of transportation is to be left unregulated and available to all other provinces, for this reason regulation of water services deprives us of our one and only method of securing competitive rates.

8. Other parts of Canada are enjoying reduced rail rates not available to us but in effect to meet motor truck competition. Our Province will continue to pay the high rail rates and cannot get redress because of the difficulty in establishing to the satisfaction of the Board of Railway Commissioners the injustice done us. (See the report of the Transportation Commission of the Maritime Board of Trade on the Potato Rate Case).

9. No reason is given for the proposed regulation of water traffic between the Maritimes and the Lakes and St. Lawrence River ports. Neither operating steamship companies, Maritime interests or Maritime shippers or importers are in favour of it, and speaking as we feel we are for Prince Edward Island, we unanimously and definitely are opposed to it.

10. The method laid down regarding the licensing of ships is so cumbersome that we feel the question of chartering a ship for a special voyage would be practically impossible.

11. Passing of Bill 31 would mean that Maritime Province shipments to St. Lawrence and Lake Ports would be under regulation rates with shipments from Newfoundland, or in fact from any other part of the world would be unregulated.

12. Artificial boosting of water rates can be used by a commission friendly to the railway management in such a way that a very grave injustice can be done to this province, and the Maritimes in general, and we submit there can be but one thought behind the whole plan, and that is to help railway earnings at the expense of those who can least afford to pay higher rates; that is the outlying sections of the country such as ours; where motor truck cannot perform the work, but leaving to the central sections the advantages they now enjoy of unregulated truck movement and competitive rail rates to meet such truck competition, both of which are denied us.

13. Competitive rail rates to meet water rates which in the past we have enjoyed were cancelled this Spring, and are now being reinstated, but on a higher basis than in former years, and this goes to show what we may expect should Bill 31 as it now reads become law.

I am not referring here to the potato case. In fact, the potato matters were left largely to Mr. Boulter to deal with. Just there I might say that the tariff on goods moving into Prince Edward Island for the past number of years was one which automatically on the 15th of April in each year brought into effect without re-issue what were known as competitive water rates which were considerably lower than the regular tariff rates. A great many articles were brought in during the fall, enough to do us over the winter, and we waited for the spring rates to be put into effect before our next supply was drawn. But this year, some short time before the 15th of April, the whole thing was cancelled. Later, they were re-instated, but I think I am correct in saying that there is nothing that does not show an advance of at least 5 cents per hundred pounds.

By Mr. McNiven:

Q. When are they discontinued in the fall?—A. About the close of navigation. I am not sure of the exact date.

14. With regulations in effect between Maritime Provinces and St. Lawrence and Lake Ports there seems to us to be little prospect of the further building of special boats such as are required for this type of service, and the result must be the passing out of the picture of this type of traffic, and the closing of our Island Ports will be only a matter of time because without this traffic our waterfronts cannot survive.

15. The licence to ships required by the provisions of the Bill would seem to us to be designed particularly with a view to making it difficult if not impossible to charter a boat for a special trip, and the advantages heretofore sometimes available of utilizing a boat moving without cargo in one direction or the other, and using her with advantage to both steamship owners, shippers and consignees will be lost.

The Charlottetown Board of Trade therefore urgently requests, in the best interests of Prince Edward Island, that the exemptions under Bill 31 be extended to include shipping between the Maritime and St. Lawrence and Lake Ports. A copy of that was forwarded to you sir, I think.

The DEPUTY CHAIRMAN: Yes, we have it.

The WITNESS: And the covering letter from Lieutenant-Colonel Full, President of Charlottetown Board of Trade. A copy of that was handed to me and if it is in order I will read it. Is that your wish?

The DEPUTY CHAIRMAN: Do the members of the committee desire that this statement be read into the record or shall we simply put that in the report as we have it?

Hon. Mr. STEVENS: The letter is on file?

The DEPUTY CHAIRMAN: But it is not in evidence.

The WITNESS: It was a personal letter to the chairman of the committee. I read the resolution. In forwarding that resolution of the Charlottetown Board of Trade wrote a covering letter which perhaps you would like me to read?

Mr. HOWDEN: I think these things should be read into the record because they substantiate the arguments made.

The DEPUTY CHAIRMAN: The letter is not very long. I will read it.

April 28, 1938.

DEAR SIR,—Enclosed herewith you will find a copy of Resolution passed by the Charlottetown Board of Trade with reference to Transport Bill No. 31.

Our people are very much concerned regarding this Bill, situated as we are at the extreme railway haul on practically all our supplies, which must come from central Canada; also handicapped by the long railway haul imposed on our farm products in reaching the consuming centres, and being without Interprovincial Motor Truck competition, which competition has in central Canada forced competitive rail rates, which competitive rates are denied us, it is imperative that if we are to continue to participate in Canadian development, unrestricted water transportation must be left available to us, and we trust that nothing will be permitted that will deprive us in any way of this, the one advantage of our insular position.

We feel that it should not be necessary for us to labour the point further, and trust that your good judgment, and the judgment of your committee to see that the request of our Board is complied with, and that water borne shipments passing between this Province and the St. Lawrence and Great Lakes be added to the exemptions provided for in this Bill.

Respectfully yours,

G. ELLIOTT FULL,
President.

The WITNESS: In addition to that a resolution was passed by the Wholesale Grocers Association of Charlottetown. It was forwarded with a covering letter from that association. This resolution is short. It is not nearly so long as the other one I read, and with your permission I will read it throughout. It says:—

[Mr. R. E. Mutch.]

Whereas: The Canadian National Railways, in cancelling the tariff in force for years whereby this province on the 15th of April in each year automatically received water competitive rates on rail movement of freight from Ontario and Quebec, has shown quite clearly if proof was needed that the proposed Transport Bill No. 31, now before the Federal parliament, is to be used in such a way that the preferred position we previously enjoyed by virtue of our good harbours and easy access for marine shipping is to be destroyed.

And Whereas: In the past a very considerable percentage of our imports reached us by water from points in Ontario and Quebec, and at rates of freight much more reasonable than rail rates, thus permitting to some extent a selling price more in line with prices elsewhere than would otherwise be possible;

And Whereas: The regulation of rates as purposed will of necessity result in higher charges, otherwise what is the purpose of the regulations?

And Whereas: Higher charges and restricting regulations must of necessity hamper free movement by water such as is now our privilege, and must result in the gradual elimination of our inward movement, resulting in the elimination of our waterfront activities, and the forcing into disuse of the facilities now being maintained and so essential to the port unless our potato movements are also to be forced to move by rail to other centres;

And Whereas: This province with its complete absence of inter-provincial motor truck competition is surely entitled to retain the provision nature has given us in our splendid harbours;

And Whereas: This province has never profited or participated in the advantages given the other provinces in duplicated railway service so largely responsible for the present unsatisfactory position of the dominion's financial position, nor in the canal systems, provided free to central Canadian shipping, and the cost of which, with the annual upkeep and expense of maintenance, is shown each year with nothing in the way of direct revenue, to all of which this province must contribute their share.

Therefore Resolved: That we call upon our local government, and our federal members and senators to insist that our provincial interests be safeguarded to the extent at least that the exemptions under the bill be extended so as to permit free movement without regulations or restrictions as at present of all water borne traffic between this province and the river St. Lawrence and the Great Lakes ports.

That is a document presented to our own men by the Wholesale Grocers' Association. I do not think you have a copy of that.

I was also handed just before I left a letter from Carvell Brothers in which they hand me two statements made by shipping companies. They do not give me the names of those quorums, but they are companies which they represent in Charlottetown. The first one reads:—

From letter of March 21, 1938:—

Regarding Transport Bill No. 31, which will go through the second reading this week. If it should pass the Senate, you can say good-bye to your water connections with Montreal, as it would simply mean that our rates would be controlled by the Board of Railway Commissioners, and the differential allowed would undoubtedly be so small that there would be no incentive for anybody to ship by water.

The second excerpt is still more recent, it reads:—

From letter of April 1, 1938:—

With all the increases which have been put into effect this year by the longshoremen at both ends of the route, the Department of Transport.

insurance, etc., there is not much incentive in continuing our service to the Island. We are only keeping on in order to hold our trade, hoping that better things are in store for us in the future.

However, as I pointed out in a previous letter, if the proposed transport bill should pass the house, it is a foregone conclusion that it will not be possible to maintain water connections from Montreal to the Maritimes if rates are controlled by the Board of Railway Commissioners.

I presume perhaps these same steamship people have been before you, but Carvell Brothers gave me this and asked me to have it brought before you.

Now, I do not think it is necessary for me to labour the point with you any further. I agree with Mr. Burchell's brief and the representations that have been made. I made some notes here when I should have been sleeping last night, but I think these points have been pretty well covered. When the first settler came to Prince Edward Island he came there by water, he existed for generations with water transportation and nothing else. Since then we have got a piece of railway and we are very thankful for it. One of your own members described that—I do not know whether he is present here now or not—described the service or lack of service to which he was subjected on a visit to Prince Edward Island last summer. If he is here I would like to tell him and tell the rest of you that he enjoyed something that we get very seldom. In other words, he came at a time of the year when we are getting a service that we are told is all together too good for us and to which we are not entitled, a service that lasts for I think just about three months, and after that time is reduced 50 per cent in passenger service. He complained I think of a delay of some hours—I have forgotten just how many—but if he came down to-day or any time after next September and came from the American side or from Montreal or Ottawa by the fast train, the "Ocean Limited," he would wait at Moncton 20 hours to get a connection with Prince Edward Island.

The Deputy CHAIRMAN: May I remark there that he appeared before the committee on Railways and Shipping and that he was the best advocate the Island ever had.

The WITNESS: I like to hear that man talking.

Now, what I was going to say there is that our people came by water. They have used water all their lives. I did not know until I heard his statement that Mr. McKenna was such a maritime man. However, that was the only way in which we could get around—swim or take a boat—and we have a hankering for that still and we do not want anything done that is going to take that from us; especially the lever that that water movement is or may be in getting the railway to see something from our viewpoint.

There is one thing I would like to stress, and that is, some gentleman suggested that these agreed charges will be something which will cure all our ills. Mr. Boulter brought that out very plainly. We are not getting now the rates the railways could give us. There is no reason to-day why the railways should charge us forty cents to move our potatoes into the Ontario market when they are moving other products worth five times as much money for half the price. On the way up from Prince Edward Island I asked one of the members of our delegation what he had to pay and he told me that his commodity travelled from the Maritimes into this territory, a commodity worth easily five times the value per pound of our potatoes—and it moves into this territory at one-half the rate on potatoes.

By Mr. Edwards:

Q. What was the nature of that commodity?—A. Sugar. Mr. Turnbull is the member of the delegation to whom I referred. When you get him up you can [Mr. R. E. Mutch.]

question him on it. Why should we wait until these agreed charges are put into effect? The railways could remedy the situation to-day if they wanted to.

Mr. HOWDEN: Nobody has explained to my satisfaction at all events why this bill is going to increase the rates between Prince Edward Island, let us say, and central Canada.

The WITNESS: I will submit that it has already increased them as a result of the increase that went into effect on the 15th day of April.

By Mr. Bertrand:

Q. Not on account of this bill?—A. On account of this bill; nothing else, in anticipation of this bill.

By Mr. McIvor:

Q. You think it is taking away your natural freight?—A. It is going to remove that. If it is not going to increase rates what is its purpose? It has been stated here that its purpose is to help the railways meet the disastrous rates and conditions which they claim they are facing in the central provinces.

Mr. BERTRAND: That does not increase the rate. That is going to reduce rates.

Mr. HOWDEN: Let the railways cut down.

The WITNESS: Excuse me, the suggestion is that the agreed charges will permit you to meet motor truck competition.

Mr. BERTRAND: Sure.

The WITNESS: We haven't got any such thing.

Mr. BERTRAND: In so far as you are concerned it might not do anything, but in so far as some other provinces are concerned it is going to reduce the rates. I think when you read the bill properly you will see that it is going to reduce the rates for the shipper. The advantage will be that he will be getting an average rate in so far as the railways are concerned and they in turn will be able to compete against other carriers.—A. The thought is that it is going to increase railway earnings. Is that admitted?

By Mr. Howden:

Q. That is admitted: It is going to increase the railway earnings. It is not going to increase them from the central provinces where they are going to use it to meet truck competition. The only place, therefore, where it can increase the earnings is where motor truck competition is not a factor.

By Mr. Bertrand:

Q. I quite understand that Prince Edward Island is the only such portion in Canada, but in so far as the other provinces are concerned, it cannot increase the rate; it will average the rate.—A. I am speaking for Prince Edward Island; the rest are of age, ask them.

By Mr. Edwards:

Q. Would it not be correct to say that this bill is designed to stabilize rates rather than to say it will either increase or decrease them?—A. We are not here arguing against the bill. Do not misunderstand me. If the bill suits the rest of Canada, go to it.

Q. I realize your position in so far as water transportation is concerned, but in your opinion is it not designed rather to stabilize rates than increase them?—A. No, I would think the very opposite. I think it is just putting into the hands of the railways a power whereby they will be able to say to me, "You will pay one rate; to this other gentleman, he will pay another rate."

Q. Oh, no.—A. That is the way I would interpret it, and I think that is the way you will find it will be worked out. Just as it is to-day, Prince Edward Island because they lack motor truck competition, are compelled to pay rates that are not being charged to the rest of Canada.

By Mr. Bertrand:

Q. That is not on account of this bill; it has always been that way.—A. For instance, the coal supply of Prince Edward Island comes largely from Springhill. The mileage to Charlottetown is 30 miles less than Mr. McKinnon's town of Saint John. The rate to Charlottetown is \$1.20 and to Saint John it is \$1. Why is that? Because we have not got motor truck competition.

By Mr. Edwards:

Q. Yes, but is that not a matter for adjustment?—A. You cannot adjust it. Do you think we have submitted to that?

Q. I quite realize that Prince Edward Island is at a very great disadvantage compared with Ontario, but is there not some other way of going about it?—A. Surely. We must bring our coal in by water, and the other commodities, if we are going to exist at all.

Q. The gist of your argument is not to interfere with water transportation?—A. That is the point. There is one commodity that is used to a very considerable extent in Prince Edward Island, and that is rice for fox feeding. That comes in for some reason or another through Montreal where they have a rice mill. Our supply of rice practically all comes through Montreal. It reaches us during some months by water at a rate of 16 cents per 100 pounds. The railways during that time give us a special rate; I am not sure what it is. But during the winter when navigation is closed the rate on that same commodity is 66 cents a 100 pounds. And those are the people you suggest to whom we should go in connection with agreed charges, and get everything fixed up. The thing is impossible.

Mr. YOUNG: We are not suggesting that.

The WITNESS: Some one is suggesting that.

By Mr. Bertrand:

Q. With the agreed charges you could succeed in getting something. If you agreed to ship all your rice by railway, you could come to a satisfactory arrangement with the railways?—A. We might. Pigs might fly, but they are very unlikely birds.

Q. The bill is drafted to give the railways a chance.—A. Absolutely, but it is not made to put the small individual shipper in a position that we would like to see him placed in.

By Mr. Howden:

Q. Would you agree to this suggestion, Mr. Mutch, that this bill is for the purpose of allowing the railways to have an agreed charge with a shipper from, say, your island to the centre of Canada, on all year round rates, that will be so reasonable and satisfactory that it will pay him to take a chance on water transportation for five, six, or seven months when you have the trade?—A. There is nothing to prevent the railways doing that to-day. Mr. Boulter has made that very clear to you. The railways to-day are charging him 38 and 40 cents a hundred pounds to move his potatoes in carload lots, and they will not give him any reduction whether he moves all or part.

Mr. Boulter and I have to leave this afternoon. That is why I am appearing now. He has to go back. It is not necessary to tell why he is going back, but I think he should have brought out a point in connection with it. I have a note of it, and I think he missed it. He is going back to discharge a cargo of fertilizer to grow more potatoes for you people up here, and the rate

[Mr. R. E. Mutch.]

on that fertilizer from Holland to Charlottetown, loaded at the ship's expense and discharged at the ship's expense into the car at Charlottetown—

Mr. BOULTER: No; discharged at our expense.

The WITNESS: The rate was \$1.70 a ton. The railway will hitch on to that car after it is loaded, haul it out 20 or 25 miles into the country and place it there and charge practically the same amount that the ship has charged to bring it from Holland.

Mr. HOWDEN: I do not doubt that a bit.

By Mr. Bertrand:

Q. And yet at that the railway cannot make any profit.—A. I do not know about that. If they run their business as some of the things down there are run, I do not wonder at it. I think if they would take some other way of handling some of their affairs, it might be better.

There is one other thing to which I should like to call attention, and then I am through. I do not think sufficient stress has been given to it. Our mill seeds are a matter of very vital importance to us. The method of bringing in mill seeds is by steamer. I suppose you could call them tramp steamers. I do not know what arrangements the milling companies have, but flour and feed come down in carload lots, held in warehouse there, and you were given an illustration of the advantage to the province by using that method of transportation. Now, it is all right to say that this is not going to increase that. Perhaps at the moment it may not, but the danger is there, and why create a danger if it is not going to serve any purpose? I would still submit that the purpose is to do away with tramp steamers. There is no other reason that I can see for it. If that is not the reason, then leave the steamers there and let us make use of them when we want to.

D. R. TURNBULL, Halifax, Vice-president Transportation Commission of the Maritime Board of Trade, called.

The WITNESS: I might say, gentlemen, that Mr. Burchell in his submission has covered my thoughts so thoroughly that there is practically nothing I can add to what has already been submitted to you.

I should, however, like to reiterate the point that if this bill goes through it will unquestionably raise the rates by water and by rail against the maritimes, whereas the central provinces will still have their motor competition.

I would like to say further that there is no demand by the producers or the consumers in the maritime provinces for this bill. Therefore, why include the maritimes in it?

At the present time, as you all know, there is a very great deal of unrest, and there never was a time in Canada when it was more desirable to have harmony and good-will throughout this dominion than at the present time. Why inject something at the present time which is so contentious to the maritime provinces as is this bill?

By Mr. Howden:

Q. It is your studied opinion that this bill cannot possibly do you any good and will do you harm?—A. Quite right.

By Mr. Young:

Q. I understand you are referring particularly to that section of the bill which has been stressed this morning?—A. I am referring to the regulation of water transportation.

By Mr. Edwards:

Q. Have you any objection to the agreed charges section?—A. I had no intention at all of speaking on the agreed charges. It would appear to me that the matter of agreed charges is a very insidious thing. I am not speaking for central Canada, only for the maritime provinces, and if the agreed charges were to go into effect, it would simply mean an all year round proposition. Steamers are only a six-month proposition, and there is only one answer to it. It means the elimination of steamers, and my whole contention is, as is the intention of all the rest, that we do not want regulation of steamers because we want to have the advantage of that form of transportation.

Q. It is discriminatory, in other words?—A. Quite.

By Mr. Isnor:

Q. If this bill goes through then you support Mr. Burchell's contention that the maritimes should be excluded?—A. Quite right.

By Hon. Mr. Hughes:

Q. Do you think the agreed charges would favour the large shipper as against the small shipper? Do you think that would be one of the results?—A. I think that would be the main result. The small shippers have not the same opportunity as have the large shippers.

By Mr. Bertrand:

Q. The small shipper, by virtue of the Act, has the same right to get the same rate as the larger shipper?—A. I understand that.

E. E. BRYANT, representing the Furness Withy Steamship Company, called.

The WITNESS: Mr. Chairman and gentlemen, I will be very brief. I want to back up Mr. Burchell's reference to the cargos which come into Canada from the far eastern ports, South America, Australia and New Zealand. Into the ports of St. John and Halifax these steamers come in fairly large quantities and at regular intervals of about three or four steamers a month arriving at Halifax. The larger quantity of the cargos are destined for Upper Canada, Montreal, Toronto, Hamilton, &c., and we are able, through the transference of these cargos to water from the Maritime provinces to Montreal and Toronto, to quote a lower rate and secure larger cargoes for the port of Halifax.

You will understand that I am speaking principally on behalf of Halifax. We have gone to a great deal of trouble during the last five or six years to secure these cargos, which previously went to American ports, and we feel if we lost this water transportation for the transhipment of these cargos that the port of Halifax would suffer very seriously.

By Mr. Young:

Q. I have just one question; If shipping between the Maritime provinces and the central part is eliminated in that section of the bill it would remove the objection you have to the bill?—A. Personally I have no objection to the bill as a whole; but having the agreed charges taken out would make it much easier.

The DEPUTY CHAIRMAN: Thank you. Mr. Burchell, does that conclude your witnesses?

Mr. BURCHELL: Yes, thank you very much.

The DEPUTY CHAIRMAN: We will adjourn until 4 o'clock this afternoon.

The Committee adjourned at 1 p.m. to meet again at 4 p.m. this day.

AFTERNOON SESSION

The Committee resumed at 4 p.m.

Sir EUGÈNE FISSET, Deputy Chairman, presided.

The DEPUTY CHAIRMAN: Gentlemen, we will hear Mr. Adolphe Routhier, K.C., from the Attorney General's department of the province of Quebec. Have you a brief, Mr. Routhier?

ADOLPHE ROUTHIER, K.C., Attorney General's Department, province of Quebec, called.

The WITNESS: I have a few notes which I will deliver and I hope to be as short as possible, and I will ask permission to get those notes together and file a brief in the record.

The DEPUTY CHAIRMAN: Are you going to give a verbal explanation to-day?

The WITNESS: Yes, and I will put some of it into a brief which I will send to you.

Mr. Chairman and gentlemen of this committee, I do not intend to tire you with any very long remarks. I heard this morning some very able representations made on behalf of the Maritime provinces. As far as the province of Quebec is concerned, may I say this on behalf of the Attorney General of Quebec that we feel in absolute sympathy with the cause of the Maritime provinces and we have, at least, a feeling that the status quo which existed up to the present time should be maintained. If bill 31 is to go through and become law, which is likely of course, may we suggest that it should be done without taking away any rights or obligations—I say obligation, because the rights of the provinces really import obligations—belonging to any of the provinces. Last year we came before the committee of the Senate on bill B. We raised an objection possibly similar to the one we are raising to-day which was considered at the time, and which together with the representations made by other provinces had the result of removing from bill B all features respecting motor transport. It is true that all that pertains to motor transport has been removed from bill 31, but we are trying to help render this bill more perfect. If bill 31 is better this year than bill B was last year we can say it is due to the intervention of the provinces, and possibly to the postponement of one year. May we suggest that if this bill was again reconsidered for another year it might come back next year possibly better still. Its chance, anyway, as a three-year-old might be better than as a two-year-old. Anyway, gentlemen, I do not want to take up too much of your very sympathetic attention, but I just wish—I might say this objection is more technical than anything else—I might just direct your attention to sections 10, 11 and 12 of the proposed Act. In the first paragraph of section 10 it says that the minister may, subject to the provisions of this part, licence ships to transport passengers and/or goods from a port or place in Canada to another port or place in Canada. I understand this is the principle of the bill as far as water transport is concerned. Now, does a port or place in Canada to another port or place in Canada mean from one place in one province to another port or place in the same province? If it does have that meaning—if that is really the intent of the Act—I suggested it is possibly going too far. The same remark will apply to the first paragraph of section 11. At any rate, I just mention this in passing. I suggest to your attention that if that is really the intent of the bill—in other words, to regulate the entire field of navigation, every inch of it—I very respectfully submit it is going too far, and possibly would be unconstitutional on that ground. Anyway, we can see in section 12 of the bill that there is some hesitation on the part of the legislating power as to placing in effect or giving power to this Act. The first paragraph says, "This part shall not come into force on, or in respect of, any sea or inland water of Canada until

proclaimed by the governor-in-council to be in force on, or in respect of such sea or inland waters." You can very well see right there that there is some hesitation in applying the bill, and even if this becomes law, and it might take some time before it actually becomes law and is actually in force, if we go a little further on we find that sub-paragraph 5 of sub-section 12 says, "The provisions of this part shall not apply in the case of ships engaged in the transport of goods or passengers (a) between ports or places in British Columbia (b) between ports or places in Hudson Bay, Nova Scotia, etc. . ." You can see there is another hesitation right there. Take this piecemeal—if I may take up a few more moments of your time—we find that between ports and places in British Columbia the transport of goods or passengers will not be governed by this bill. Is it for the reason that it is considered a local matter, a provincial matter? Possibly so. If so, so much to the good. If that is the intent of the Act, we are bound in that sense. We go a little further on in sub-section B, "between ports or places in Hudson Bay, Nova Scotia, New Brunswick, Prince Edward Island. . ." Again we find that as far as those provinces are concerned—that is from one place to another place in one of those provinces, inside of the limits of one of those provinces, Nova Scotia New Brunswick and Prince Edward Island—the same exception as for British Columbia. Is this again the intent of the legislator to apply the principle of locality. If so, well, so much to the good.

There is something strange here and this is what I want to draw your attention to, and you will find it is possibly the reason for our coming here to-day—we find in that sub-paragraph B of section 5, "the provisions of this part shall not apply to ships engaged in the transport of goods or passengers between ports or places in Hudson Bay, Nova Scotia, New Brunswick. . ." That is sub-section 5 of section 12, sub-paragraph B—there we find in sub-paragraph B that strangely enough for geographical purposes—I do not know for what reason—the province of Quebec is divided into two zones of jurisdiction for its shipping. In other words, all the shipping, transport by ships, east of Father Point would not be subject to federal jurisdiction whereas by inference, all points west of Father Point would be subject to federal jurisdiction. In other words, you have an exact cleavage of the province into two geographical portions, which is another complication added to the complications that might exist for doing this from the fact that there is a federal jurisdiction and possibly a provincial jurisdiction on shipping.

I was just wondering on behalf of the province of Quebec for what reason the exception has been worded in that way? If we have to be excepted from the operation of the bill, which I submit should be done, we should be exempt entirely from the operation of the bill, and not only for half; if we are supposed to receive some measure of treatment afforded to the other maritime provinces—because I call Quebec a maritime province to a certain extent—we should be treated entirely as a maritime province and not only as half a maritime province.

By Mr. Hamilton:

Q. The reason is that one part of your waters are inland and the other part are regarded as sea water.—A. There is navigation going all over. As a matter of fact, if it were the reverse it might be more logical.

Q. From Father Point west you have inland waters and from Father Point east you have sea waters.

The DEPUTY CHAIRMAN: Have you been there?

Mr. HAMILTON: Yes, I have.

The DEPUTY CHAIRMAN: If you consider Father Point as the entrance to the gulf you will be a long way off.

[Mr. A. Routhier, K.C.]

Mr. HAMILTON: That is the line of demarcation as far as this bill goes.

The WITNESS: I am just directing the attention of you gentlemen to this situation. There is something there that demands some sort of explanation; but at the same time it means from a practical standpoint and from a legislative standpoint that it makes the situation complicated in this way that we have up to the present a number of navigation companies incorporated under provincial charters and operating under a provincial charter. Well, how are they going to operate? Those who are operating along the St. Lawrence from Quebec, say, lower down the river or from Montreal lower down the river will have to have two licences.

By Hon. Mr. Stevens:

Q. Some of those companies are subsidized by the province of Quebec too, are they not?—A. Yes. There is the Clark Steamship company which is one which might be affected in that way and the Quebec and Levis ferry which has a provincial charter, a provincial statute, and it has been amended a number of times, and what would be the constitutionality of that charter? It would become null and void by that section.

By Mr. Bertrand:

Q. Not null and void?—A. I think it would become null and void. I submit it would become null and void in this way that the province has the power of incorporating companies which have powers derived from section 92 of the B.N.A. Act, and if a company cannot justify the operation of a ship under section 92 of the B.N.A. Act, it does not have the power and there is no more charter left. That is one complication that may result from the operation of that bill as far as we are concerned.

Q. You will admit that if we are excepting navigation between the ports of British Columbia because they are on the ocean and navigation in Hudson Bay, Prince Edward Island, New Brunswick and Nova Scotia, we also have to except some part of Quebec which is on the ocean or on the gulf?—A. Why not take in the whole of Quebec?

Q. Then it would be asking to kill the bill purely and simply?—A. It may come to that. I think in the end it will come to that.

Q. Why should the federal government kill a bill of such importance as this just because a few companies in Quebec will have to ask for a new charter?—A. Well, now I think you are trying to minimize the consequences.

Q. I would like you to give me an answer. Why should the government kill a bill as important as this for the sake of a few companies that will not go out of existence but might have to ask for a license from the dominion government? Where is the relation between the two?

The DEPUTY CHAIRMAN: I wonder if you realize that outside of the chartered companies—companies chartered by the provincial government or by the federal government or subsidized by them—outside of those there are hundreds of proprietors that operate schooners between Quebec and the lower St. Lawrence that may not be able to obtain a charter and cannot possibly obtain licenses. They operate between the south shore and the north shore where there is no railway competition. This was not taken into consideration when this bill was prepared.

Mr. BERTRAND: There might be an amendment to the law.

The DEPUTY CHAIRMAN: Certainly. That is why I claim this resolution should not be so drastic.

Mr. BERTRAND: That would not be a reason for abandoning the bill completely or taking Quebec completely out of the jurisdiction of this bill.

The DEPUTY CHAIRMAN: No. I am sorry to interrupt.

The WITNESS: I am pleased at the intervention of the chairman of this committee. I think he has worded the objection much more strongly than I could have done myself and much more ably also.

There is another point on which I might just direct your attention for a moment and it is that, apparently, as a consequence of the reading of that subsection 5 of section 12, not only local navigation in each of those provinces mentioned but, apparently, interprovincial navigation between those provinces also is excepted from the operation of the bill.

Mr. BERTRAND: Did you mention subsection 12 of section 5?

The WITNESS: Subsection 5 of section 12, subparagraph B. In other words, not only the local navigation within one province, but the navigation between those three provinces and the portion of Quebec I referred to a moment ago. That is interprovincial navigation which is excepted. In other words, it is a gift which the Maritime provinces would obtain and which, apparently, they are not satisfied to obtain; they seem to think it is a gift of the Greeks.

By Mr. Hamilton:

Q. The objection you register at the moment, is that based on the constitutional right of the dominion to pass such legislation or with reference to the advantages or disadvantages to shipping in the province of Quebec?—A. I did not consider the question of disadvantages of navigation in Quebec. If I did go into that point it would take some time. I think *mutatis mutandis*, much of the argument made this morning by the Maritime provinces applies to Quebec as well. I will add this to the strong argument made by the Maritime provinces this morning that there is no reason to make separate units for navigation purposes. For instance, especially all the more so, dividing one province into two navigation units. That is what really it would come to if we have two systems of legislation parallel on the same territory.

By Hon. Mr. Stevens:

Q. May I get one of those points clear. Much of the navigation of the lower St. Lawrence, along the north shore and the south shore and Gaspe peninsula, originates at Quebec?—A. Yes.

Q. A number of the steamship companies have their base at Quebec and serve the more isolated points of the gulf of St. Lawrence?—A. Some of them.

The DEPUTY CHAIRMAN: Oh, no.

The WITNESS: Not all, but some of them do.

The DEPUTY CHAIRMAN: The bulk of it now originates from the ports of Rimouski or Matane—for the last five years.

Hon. Mr. STEVENS: That is west of Father Point.

The DEPUTY CHAIRMAN: Yes, west of Father Point—six miles west of Father Point.

By Hon. Mr. Stevens:

Q. I will put it a little broader. Much of the traffic in the gulf of St. Lawrence by water originates west of Father Point?—A. Oh, yes.

Q. Do I understand your objection—part of your objection is this, that a steamship company or an individual vessel that has been operating over a period of years in the lower St. Lawrence or the gulf of St. Lawrence beyond Father Point and with its traffic originating west of Father Point would have to, under this bill, take out licences?—A. Two of them—one in Quebec and one in Ottawa.

Q. Would you explain what you think is the handicap of that?—A. The handicap is first, of course, that a party has to take out two licences. It means for the time being—it may not be a burden because I do not know the figure

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—the exact figure of the Quebec licence—but I know they have to obtain a permit from the public service commission, which is a burden, and they have to pay lawyer's fees, and there is an inconvenience right there. Of course, that is not the only inconvenience, but I will come to that later on.

Q. The province of Quebec has found it quite a task to serve the isolated points in the eastward section?—A. Yes.

Q. And because of that they have erected these subsidies and other aids to transport?—A. Yes.

Q. And the point you are now raising is that having established all that over a period of years they are now called upon to come under the federal jurisdiction and obtain a licence?—A. And only for a part of their service, not all of it. It is an awkward situation.

By Mr. Bertrand:

Q. You admit that in so far as that part of Quebec is concerned which is considered bordering the ocean we have to give the same treatment as we do to the other Maritime provinces?—A. I am not complaining about the treatment you are giving the Maritime provinces except we say, why give us only half of it; give us the whole of it.

By Hon. Mr. Stevens:

Q. Of course, the point I claim is that indirectly while they are exempting east of Father Point, the exemption does not amount to anything because the origin of their cargoes is west of Father Point and the two are interlocked, so that they are indirectly, although their business is largely east of Father Point, forced to take a licence nevertheless?—A. Yes.

The DEPUTY CHAIRMAN: Rimouski is only six miles from Father Point, and thirty miles away on the north shore you have a population which about ten years ago was 20,000 people. They had no railway. That population has grown to between 55,000 and 60,000. All the supplies that those people are using at the present time—everything that they use—has to be transported by water from one of the following points, Quebec, Rimouski, St. Flavie, Matane, or Gaspe which is seventy-five miles further down. All of those points are exactly on the same level. None of those ports compete with the railway. Not only that but they are feeders of the railway. The railway transports the goods to those points and the goods are loaded on board the ships and transferred to the north shore to feed a population of 60,000. You can imagine when conditions within the last five years have changed to such an extent that those considerations have not been taken into consideration when this clause was prepared; and I think that even those that have prepared this clause and this bill are quite prepared at the present time to meet the needs of that local population.

The WITNESS: Thank you, Mr. Chairman.

Mr. HAMILTON: Would that be west of Quebec?

The DEPUTY CHAIRMAN: That is west of Quebec.

Mr. BERTRAND: No, east of Quebec.

Mr. HAMILTON: Make that the point of shipping to the destination.

The DEPUTY CHAIRMAN: It should not be Quebec—not to include the port of Quebec—but I think it should be at the western end of the Isle of Orleans. That would meet all the needs and all the necessities of all the ports situated on the gulf of St. Lawrence that are operating at the present time, and the main part of their activities is with the north shore. It is due to that development along the north shore of the St. Lawrence river for the last five years.

Mr. BERTRAND: Would that meet the requirements of all your people?

The DEPUTY CHAIRMAN: I think it will meet what requirements are suggested by the province of Quebec.

The WITNESS: It will certainly meet the situation better than it does at the present time—as the bill is presently phrased. It seems to me there might still remain some ferry boats, for instance, that might be affected, on lake St. Pierre.

The DEPUTY CHAIRMAN: Those can be dealt with by order in council. I understand the province will be quite satisfied.

The WITNESS: Of course, if they have assurance to that effect.

MR. HANSON: Could an amendment be made to that effect?

The WITNESS: I am not trying to suggest to this committee the exact wording of amendments that should be made; I am just calling these matters to the attention of the committee showing the situation as it appears to us in order that it may be remedied.

The DEPUTY CHAIRMAN: I apologize to the committee for taking up so much of your time, but if I had been a member and not chairman I would have explained matters just the same.

The WITNESS: Of course, we recognize that it is not easy to legislate in matters of this kind.

MR. BERTRAND: Mr. Routhier, in section 2, subsection H it reads: "Ship includes every description of vessel exceeding 150 tons gross tonnage." Now, this description would exclude ferry boats, I suppose?

The WITNESS: 150 is not large tonnage.

MR. BERTRAND: That is not large enough?

The WITNESS: That is not large.

MR. BERTRAND: But the question could be settled in some way by including this section?

The WITNESS: That is one way of looking at it.

The DEPUTY CHAIRMAN: That is one of the amendments proposed. Will you please proceed.

The WITNESS: There is just one more point I should like to mention.

MR. YOUNG: Do you know the tonnage of the ferry that operates from Quebec?

The WITNESS: They are very large ships. They carry motor boats and sometimes as many as 40 or 50 automobiles.

The DEPUTY CHAIRMAN: The net tonnage is from 700 to 800. That applies to all ferries plying between Rimouski and the north shore, Matane and the north shore, Gaspé and the north shore and Rivière du Loup. These are peculiar circumstances, and will have to be taken into consideration, that is all.

The WITNESS: There is one other point I should like to draw the attention of this committee to. It may be a question of how to word the exception when the exception is being revised. The point I mention is the one of safeguarding as much as possible the provincial jurisdiction in regard to a small portion of the shipping. Although it is small it is there. It is really more or less local between two places, let us say, such as Lévis and Quebec. That is one case, and there are quite a few of them along the St. Lawrence. Should these be considered as merely local or are they to be merged under this bill into navigation rights and powers that come under the federal government. I suggest very humbly that there is a constitutional question right there. It may not be a very big one, but even if it is not a big one it has to be taken care of just the same. If it is a local question we respectfully submit it has to be governed and must be governed by section 92 of the B.N.A. Act, and not by 91, notwithstanding the terms of head 10 of section 91. Head 10 of section 91 of the B.N.A. Act covers navigation and shipping. Now, must we say that the words "navigation

and shipping" placed in head 10 of section 91 of the B.N.A. Act gives potential power to the federal government to take over and handle all navigation wherever it may be in Canada? I submit respectfully that this must not impinge upon the practical intention of the Fathers of Confederation. I would respectfully draw your attention to the fact that head 10 of section 91 is not the only head in section 91 which deals with navigation. You have head 9, which says:—

beacons, buoys, lighthouses, and Sable island.

That is navigation and it is not in head 10.

You have head 11, which says:—

quarantine and the establishment and maintenance of marine hospitals. That again is something very much related to shipping, and you might say it is really an accessory to shipping. At the same time, it does not appear in head 10. You have head 12, which says:—

seacoast and inland fisheries.

Well, everybody knows that fisheries and fishing, especially in the gulf of St. Lawrence is done in small ships. That is another form of navigation. Of course, navigation is not the main thing; but at the same time it is navigation in one form or another and it is not contained in head 10. Then you have a further head, which I think it rather illuminative, head 13 of section 91 says:—

ferries between a province and any British or foreign country, or between two provinces.

In other words, ferries between two provinces come under the heading of interprovincial navigation and would fall under the exclusive jurisdiction of the federal parliament; but by implication it would exclude local ferries within one province; and therefore, I say that is where the argument comes in. Some care has to be taken to protect the rights of the provinces—of each province, not only the province of Quebec—as to their local navigation. What exactly the extent of these rights are it may be difficult to analyse precisely or define very precisely; but the right is there and it has to be safeguarded.

Hon. Mr. STEVENS: Has not that point been settled by practice over the years since confederation?

The WITNESS: I have looked up—

Hon. Mr. STEVENS: No definitely provincial ferry comes under federal jurisdiction.

The WITNESS: The only way we find that it has been settled in practice is that provincial charters have been granted in the province of Quebec to operate ferry companies, some of which are being operated under provincial statutes.

Mr. BERTRAND: You do not know of any cases that have been decided by the Supreme Court or the Privy Council?

The WITNESS: The only thing I found of practical application is that for years the Quebec and Levis ferry has been coming before the Quebec legislature a number of times and Mr. Lanctot, the assistant Attorney General saw fit to allow the bill to pass the legislature, satisfied the legislature had jurisdiction, and Ottawa never intervened. That is the practical aspect of it. As far as the decisions before the courts are concerned, I have not seen or heard of any; there might have been some.

Mr. BERTRAND: I do not think it has ever been settled.

Mr. HAMILTON: Would not the same argument apply to railway routes between two points in the same province?

The WITNESS: I would not like to answer that off-hand, because these are matters of constitutional interest.

Mr. HAMILTON: It does strike me the same point would arise there, unless there is something in the B.N.A. Act which excludes it.

The WITNESS: There is a point there.

Hon. Mr. STEVENS: A purely local provincial road does not come under the railway board.

Mr. BERTRAND: Even though railways are declared to be for the benefit of Canada as a whole?

Hon. Mr. STEVENS: Unless they were hooked up with a main line.

The WITNESS: I may say that I have a form of amendment, but I do not say it is a model, just to show you how we have tried to solve the difficulty from the other angle, or as a counterpart, you might say. Our Quebec Public Service Commission Act, which has the same problems from the opposite viewpoint, defines public service as follows:—

The words "public service" mean every corporation other than a municipal or school corporation and every firm, person or association of persons or any lessee, trustee, liquidator or receiver thereof that owns, operates, manages or controls any system, work, plant or equipment

(b) for the conveyance of passengers or goods over a railway or tramway, or upon any lake, river or stream.

Then, they put in this exception:—

In connection with such public services, the application of this Act and the jurisdiction of the commission shall extend only to matters falling under the legislative authority of the province.

Might not a similar provision be carried into this Act, if it goes through, and then the rights of everybody would be safeguarded. Of course, you might say to me that it would be a matter of deciding each case upon its own merits. Very well. Probably in the long run everybody would get better justice—

The DEPUTY CHAIRMAN: Are you prepared to draft an amendment to that extent?

The WITNESS: I would not like to take upon myself the suggesting of an amendment. I am making a suggestion, and I shall include that in my brief and it may be agreed on if found advisable. I know the officers of the Department of Justice are very able and very learned gentlemen. This legislation is very, very difficult.

Mr. BERTRAND: You would not admit they are more learned than the officers in Quebec?

The WITNESS: I am prepared to admit that.

Mr. BERTRAND: I was once a former officer in law in Quebec, and I would not be prepared to admit that.

The WITNESS: I know if they were asked that question they might answer it in the same way.

Mr. McCULLOCH: There is a ship running from Montreal to Pietou, called the *Gaspesia*, owned by the Clarke Steamship Line, with a tonnage of 640. Would this Act interfere with that boat running from Montreal to Pietou?

The DEPUTY CHAIRMAN: It would not, if the proposed amendment is carried.

Mr. McCULLOCH: Would it at present?

Mr. YOUNG: No, not just now.

Mr. HANSON: There are no regulations now.

The DEPUTY CHAIRMAN: Under the present bill, certainly, it would. Only boats of 150 tons are exempted.

We are extremely obliged to you, Mr. Routhier, for your presentation. You will send us your brief?

The WITNESS: I shall do that. You will get it on Wednesday or Thursday.

[Mr. A. Routhier, K.C.]

The DEPUTY CHAIRMAN: We shall next hear from the representative of the Millers' Association.

Mt. ISAAC PITBLADO, called.

The WITNESS: Mr. Chairman, and members of the committee: I am before you to-day heading a deputation from the Canadian National Millers' Association. The association consists of a large number of mills, and I mention them to you in alphabetical order for obvious reasons. Lake of the Woods Milling Company, Maple Leaf Milling Company, MacDonald and Robb Limited, the Ogilvy Flour Mills Company, the Quaker Oats Company, the Robin Hood Flour Mills Limited, the St. Lawrence Flour Mills Limited, and the Western Canada Flour Mills Limited. All of these are members of the association and I am presenting the views not only of the association itself, passed formally by the executive of the association, but also I am presenting the individual views of the members, except one member of the association. The Quaker Oats Company did not agree in all respects with the presentation that I make for the association and for these other members, and with your permission, Mr. Chairman, and also with the permission of the Quaker Oats people themselves, before I conclude I may have something to say about the portions of our presentation with which they differ. And here let me say, before reading the submission that has been put in, that our presentation has to do with flour. You have heard about potatoes. We heard a good deal about them to-day, and the opinion was ably presented, I may say, in my view, Mr. Chairman. You have heard about some other commodities. This has to do with flour; and in fact what is our trouble about flour? Well, our trouble about flour is this; and I mention it in advance of reading the submission, that grain is exempt from the provisions of this Act. We say if grain is exempt flour should be exempt, and I am going to elaborate that as I go along. That is the neat point that we present. I may have something to say about other parts of the bill, the general parts of the bill, but that is the neat point that the millers have in mind.

Two of these companies have mills only in western Canada; by that I mean west of the Great Lakes. Two have mills only in eastern Canada. The other four companies have mills both in eastern and western Canada. And yet, with the one exception that I have mentioned, they all united in making this presentation to you, although the individual interests of individual mills may not be affected in the same way if the legislation stands as it is. Yet they agree on it, because there is a principle underlying this. Because of that principle they have all united, with the exception of one, in this presentation.

The two milling companies having mills only in western Canada own between them six operating mills at different places, large mills with a total daily capacity of 24,000 barrels of flour. The two mills operating solely in eastern Canada have a daily capacity of 3,250 barrels. The various places in western Canada at which the operating mills are located are, Kenora, Keewatin, Winnipeg, St. Boniface, Moose Jaw, Saskatoon, Medicine Hat, Edmonton and Calgary. The milling companies operating in eastern Canada, east of the Great Lakes, have mills at Goderich, Port Colborne, Toronto and Montreal; and the Quaker Oats Company have a mill at Peterboro. The total milling capacity, if they were running to capacity, of the present mills—I am speaking of the mills for whom I appear—those that are operating at present, is as follows: western mills, 43,200 barrels per day; and eastern mills, 32,250 barrels per day.

The milling industry of Canada is a most important one. Reading recently from the Year Book and from an investigation that was made by the Canada Wheat Board, from statistics of the Department of Agriculture, the capital invested in flour mills in Canada—and I am not speaking only about our own

flour mills, but of flour mills in Canada—in 1934 was a total of \$52,491,680; and the number of employees was 4,263. The money paid out in wages and salaries during 1934 totalled \$4,443,991. I appear, Mr. Chairman and members of the committee, for no mean industry, an industry that has been in operation in Canada for a very, very long time.

We filed with the clerk of the committee some time ago a written submission in brief form. With your permission, Mr. Chairman, I should like to read this submission, and then make an oral presentation in addition thereto. The submission that we have put in with the clerk of the committee is as follows:—

1. The above mentioned Bill, now before the House of Commons, Ottawa, seeks to establish a Board of Transport Commissioners with power, among other things, to license and regulate the movement of freight traffic on the Great Lakes.

2. This Bill, which supersedes a bill of wider scope defeated in the Senate last year, excludes bulk grain from its provisions, but unfortunately does not exclude flour and other grain products.

3. The exclusion of bulk grain is to be commended because it removes the danger of any stifling effects that arbitrary rates might have on Canada's wheat export trade.

4. Free and open competition amongst vessels for cargoes of Canadian grain shipped across the Great Lakes certainly facilitate the sale of such grain overseas and gives the Western producer the benefit of such competition. It is therefore definitely to his advantage.

5. Flour and other grain products now move to the Head of the Lakes from mills in the West at the same rate as bulk grain, and should be maintained in the same category under any form of Transport Bill, so that they may move on a parity with grain across the Great Lakes.

6. With bulk grain only exempted from control, flour and other grain products would be unjustly discriminated against and would be placed at a distinct disadvantage.

7. From the inception of the milling industry in the Western Provinces until now, grain and grain products (flour, feed, etc.) have been treated as one commodity—inseparable; moving side by side with equal freedom; indispensable to each other—and this principle must be maintained inviolate if the industry is to survive.

8. Canadian flour is recognized all over the world as being the highest known standard of quality. For this reason, Canadian flour has become the best salesman for Canadian wheat. Foreign millers cannot successfully compete against Canadian flour unless they use Canadian wheat. Where Canadian flour sells freely, the market for Canadian wheat is broadened; where Canadian flour is restricted, the market for Canadian wheat is automatically restricted too. Therefore it is of vital importance that discrimination shall not be permitted between the cost of transporting bulk grain and that of transporting flour and other grain products, because such discrimination would undoubtedly lead to a substantial reduction in the exportation of Canadian flour which in turn would curtail the exportation of Canadian wheat, to the permanent detriment of our Western producers.

9. During the present crop American mills are regaining their export flour business at the expense of the Canadian producer and industry. It can readily be appreciated how Canada would be further handicapped in meeting this competition if our transportation costs were fixed while the American industry continues to ship flour and grain products on a basis competitive with grain.

10. Vital interests of agriculture, industry and labour in the West are clearly affected. If the Bill in its present form is allowed to stand the greater portion of the capacity of the Western mills may well, of sheer necessity, be compelled to shut down completely. It is obvious that this course would be a very serious blow to Western industry and labour. Furthermore, such a step would materially reduce the supply of millfeeds for dairying and farming interests throughout the West.

11. No industry can be said to be more naturally placed in the Prairie Provinces than that of flour milling. This rightful position in the national economy should be safeguarded. All those interested in the essential well-being of the West should take steps to see that nothing is done to hamper or restrict in any shape or form the sale of either Canadian wheat or Canadian flour and other grain products, whether at home or abroad. With this object in view, flour and grain products, as well as grain itself, must, as a fundamental principle, be excluded from the provisions of any Transport Bill.

12. We therefore respectfully suggest amendments to the proposed Bill as follows:—

Page 6, Section 12, Subsection 4, after the word "bulk" add "or flour, or other grain products, or grain by-products whether in bulk, bags or any kind of package."

Page 12, Section 34, after the word "bulk" add "or flour, or other grain products, or grain by-products whether in bulk, bags or any kind of package."

and such other amendments as will exempt flour and other grain products from the provisions of the Bill.

Respectfully submitted,

R. A. HENDERSON,
Vice-Chairman.

D. E. MURPHY,
Secretary.

That, Mr. Chairman and gentlemen, was the submission that we filed—the short submission that we filed with the clerk of the committee.

Now, first of all, let me speak on this topic,—that grain and flour are competitive commodities or rather, to be more exact, they are the same commodity in different form. The use is the same. Wheat goes forward from western Canada to be manufactured into flour. Part of it is made into flour in eastern Canada. By far the largest part of the wheat goes for export to the United Kingdom and other countries to be manufactured into flour. Wheat goes forward from the head of the lake now, and under this bill will continue to go forward, at water competitive rates on the lake,—unregulated rates, rates fixed by competition,—to be ground into flour in eastern Canada, to be exported and ground into flour by millers in the United Kingdom or other countries. Our flour manufactured in Canada must meet the competition of this wheat wherever flour is used; and if the wheat going forward for export has received an advantage in the rate structure, the flour industry of Canada is handicapped in meeting the competition of the British or foreign miller. All our Canadian mills selling flour for export have to compete in the foreign market not only with the Canadian grain which goes for export—that is the first point I have made—but also with the grain of other exporting countries; because foreign millers may use all Canadian wheat—some do—or they may use part Canadian grain or they may use no Canadian grain at all. Yet we have got to the point

where we have to meet the competition with our flour not only of this, of flour made from our own wheat that goes over there, but flour made from the wheat of other exporting countries.

Now, I would like to mention also the situation as between eastern mills and western mills, and that is most important, from the standpoint of discrimination between mills in Canada. Eastern mills can have their grain taken forward on this unregulated competitive rate fixed by the ordinary rules of competition. Western mills have their flour taken forward on a regulated rate. We have no division in our camp, because the situation between eastern mills and western mills is different. As I say, only one of our millers differs on the point, and I am going to show how he feels when he comes along,—that it is not so much this question as between eastern mills and western mills, but the question of whether grain itself should not be regulated also. We all unite, with one exception, in this presentation; and if grain going from western Canada receives preferential treatment as to carriage which affects the rate for flour going from western Canada, the western mills are at a disadvantage in so far as the sale of their flour is concerned, both in the domestic market and also in the export market. I mention the competition between our mills and millers outside of Canada in the sale of flour everywhere where flour is used. I might say that competition is keen and active. All one had to do was to follow this Turgeon Commission, Mr. Chairman, recently,—as I had the privilege of doing,—to find how keen that competition is everywhere. Flour, therefore—our Canadian flour—is in direct and keen competition with wheat, when the consuming markets of the world are reached, be it the English market—I should say the British market—or the market of any other consuming country. Our contention, therefore, is that grain and flour should receive the same treatment so far as transportation charges are concerned, and that flour should not be discriminated against. If grain is excepted from the provisions of the bill, then we say flour and grain products should also be excepted. That is our neat point, Mr. Chairman. That is our neat point.

I want to elaborate a little on some reasons to show that this flour industry is a big one; it is an important one, and if you add anything, even a few cents per barrel to the cost of the flour that our western mills make and that goes to export, or the cost of the flour that our eastern mills make and send for export, you are discriminating not only against the flour of Canada but against the wheat of Canada. The manufacture of flour is fortunately one of the natural industries of this country. It is not an artificial one. It is one of Canada's oldest industries. There is an advantage to the country as well in working up our natural products in this country instead of merely exporting them all in their natural state. That is axiomatic. There is, first of all, the employment that such manufacturing gives in the various places where mills are located, and I need not elaborate on that point to any of you members of the committee.

Speaking now of western Canada—because it is the mills of western Canada which are going to be hit hardest if our request is not granted—one can see how important the flour mills at Keewatin, Kenora, Winnipeg, St. Boniface, Saskatoon, Moose Jaw, Medicine Hat, Edmonton and Calgary are to the centres in which they are located. In each of these centres the milling industry has helped to build up the community. In some of the communities—as I know western Canada pretty well, I can say this—the milling industry there is the big industry of the place; and the same thing can be said of the places in eastern Canada where our mills are situated, but perhaps they are not quite so important to particular places where they are located because there are a number of large industries at most of those places. There is not only the direct advantage of employment in the particular community to those directly engaged in the

[Mr. I. Pitblado.]

industry, but the mills provide work for the bag manufacturer, the cooper, the millwright, the maker of mill machinery; all are large users of power in the locality in which they happen to be; and they furnish freight for the railways to bring all these things to the mills wherever they happen to be; and the farther they are from the place where the bags are manufactured or where the barrels are manufactured or where all these things are made, the more is the freight which is furnished for the railroads of our country.

Moreover, the mills, and I emphasize this, at the various points at which they are situate throughout the country provide close at hand the feed, bran, shorts, middlings—feed which is needed for the dairy, poultry and the livestock interests in that community.

Our local mills play a large part in serving their respective communities in that respect. And I say it would be a serious handicap to the livestock interests—and when I speak of the livestock interests I mean the poultry, the dairy interests and all those who raise livestock for the market—it would be a serious handicap to those interests if all our large mills were situated in eastern Canada.

Mr. HOWDEN: Hear, hear.

The WITNESS: I might also mention the benefit conferred by our western mills as being constant buyers close at hand of the wheat raised by the producers, which they need in the operations of their mills. They are large consumers for our producers' wheat and they are large consumers right in the local market.

So much, then, for the industry, and so much for the desirability of having our mills in western Canada.

I was told the other day, Mr. Chairman, that this large milling industry in connection with our western wheat, because that is what I am dealing with, our hard wheat; it is the flour on the Great Lakes that I am dealing with coming down from the west—started in western Canada and developed into eastern Canada.

Speaking again of export flour, I would like to mention to this committee the countries to which Canada has sold flour in the last crop year. I may say quite frankly, Mr. Chairman, that when the Turgeon commission was sitting and I heard some representatives of the flour millers talking about where they sent flour, I had an idea that they just sent flour to Great Britain. But when the evidence was in and when I read the record I found that in the crop year 1936-37, we, the flour millers of Canada, exported a total of 4,525,000 barrels of flour.

By Mr. McIvor:

Q. That is for the one year?—A. Yes, for the one year. That is the crop year 1936-37. And, mind you, that is not as much as it was before, because quotas and restrictions put on by other governments against us reduced what we had been selling in former years. But we had been able to keep our exports in the year 1936-37 up to 4,500,000 barrels of flour.

How much of that wheat do you suppose we sold to the United Kingdom? We sold just a trifle over one-half to the United Kingdom, and we sold pretty nearly fifty per cent of that output in all parts of the world. I have a list here, Mr. Chairman, and members of the committee, showing forty-six named countries, a list that has been prepared from the statistics given by the Department of Agriculture, in which we, the flour millers of Canada, were able to sell our flour. The United Kingdom, as I say, took about half. Newfoundland took the next largest portion. I might read a number of these places: Jamaica, Trinidad and other British West Indies; British Guiana; Hong-Kong; some to Japan; some to Finland; French West Indies; Norway that year took 175,000 barrels of flour from us; the Irish Free State took a little; the Phillipine Isles; Sierra-Leone; Venezuela; and the United States took some flour from us, notwithstanding the great duty was put on. There is only one reason why they took it, and that is because of the quality of our flour.

I do not want to read this whole list, Mr. Chairman, to the committee. It is unnecessary for me to give you the names of all these countries, but we have forty-six named countries in the statistics published by the Department of Agriculture where we sold flour.

By Mr. Bertrand:

Q. Mr. Pitblado, we all admit the great importance of the flour-milling industry.—A. I have finished with it now, Mr. Bertrand. I am glad we all admit it, because it is most important for me to point that out to you, because we sell half our flour in other markets outside the United Kingdom.

Q. I do not want to press you, but I want to tell you that we all admit that this trade is most important and that you do not need to elaborate that point further.

By Mr. Parent:

Q. And it always has been.—A. It always has been. I just want to scratch it. Do not think I am going to take up any more time on that, but here is what I am going to say, that in every one of those countries or in any other country where we ever sell a barrel of flour we have to meet the competition of the British mills, or we have to meet the competition of the Australian mills, or of the United States mills, or of the local mills, or of the local mills in the particular country where there are mills, or the competition of more than one of them. But the point I make, and this is why I am stressing its importance, is that a very few cents a barrel, a very, very few cents a barrel on our commodity mean the making of a sale or mean the making of no sale. That is the point I am making.

I want to say something else that is in our brief, and I will hurry along. It was a surprise to me to find the claim made that our Canadian flour was one of the best salesmen of Canadian wheat in the export markets of the world. One might ordinarily have thought that the more flour you sell, the less wheat you are going to sell.

By Mr. Young:

Q. It is quite the reverse.—A. It is quite the reverse. The evidence that has been given before all the commissions is quite reverse. That was investigated in 1925 by the Royal Grain Commission over which Mr. Justice Turgeon presided. Dean Rutherford went to the old country and he found that at that time fifty per cent of the flour used in Scotland was imported. Canada and Australia get a fair share of this trade. Canada's is substantial, and Australia's would be larger if her supplies were more constant. Dean Rutherford observes:—

I was told in Glasgow that it was the flour made from the strong, hard spring wheats imported many years ago that necessitated the change in the milling system, and created the place for them in the milling economy of Scotland. An experienced baker in Glasgow said to me, "Flour made from your One Northern wheat is our trump card."

He went on to point out that:—

Scotland takes the largest portion of Canada's to satisfy her bread-baking system, and owing to the insistent demand of the Scottish bakers for the best strong Canadian flour, the millers of Scotland, in order to hold their fair share of the flour trade in competition with the flour importers, are forced to grind in large measure No. 1 Northern wheat.

Now, was the situation this same last year? The millers came before Mr. Justice Turgeon in Winnipeg and they put up a proposition very much like they put up in our submission. They said:—

[Mr. I. Pitblado.]

It is to-day regarded as axiomatic by all concerned in the problem of Canada's wheat marketing that this foreign flour trade is vital to the best interests of our grain growers, inasmuch as it is Canada's flour which sets the quality standard in the importing markets, thereby necessitating the use of Canadian wheat on the part of the home miller in his efforts to maintain a competitive standard.

In this sense, flour is the best salesman for Canadian wheat and a barrel of export flour lost represents a far greater loss of export wheat business than the bushelage required to make the flour.

That evidence was given by one of the millers. I heard that evidence given and I thought possibly it might be some kind of an exaggeration. Then I heard another miller say, speaking along the same lines:—

One grain authority asserts that Canadian milled flour, once established in a foreign market, sets a standard for quality which opens up markets for Canadian wheat.

Then Mr. Justice Turgeon said to the gentleman who was giving evidence:—

Who was that authority?

And the answer was:—

The present Canadian Wheat Board, in a pamphlet entitled "Canada's Wheat Export Trade" dated October 31st, 1936.

The reference was right but the date was wrong. The Canadian Wheat Board in 1936 made an exhaustive report on Canada's flour export trade, and the quotation that this gentleman read is an exact quotation from what they said about it.

Then we took evidence in the old country, and witnesses were examined. Of course, the commission had largely to do with wheat, and Mr. W. H. Rutherford of W. H. Rutherford and Company, Flour Importers, gave evidence at Glasgow on the 27th of July, 1937. At page 10415 he said, among other things:—

Originally it was the importing of Manitoba flour that made the reputation of Manitoban wheat. I remember, when Mr. Foster was here, that was brought prominently to his notice. It was the flour that made the reputation of Manitoban wheat; then the millers began to use it.

Further on, this evidence appears:—

Q. You say the importation of Manitoban flour is, you think, a very substantial factor in leading the millers here to use Canadian wheat in their grist?—A. There is not a doubt about that. It was the quality of flour which persuaded them to take up the wheat.

We had evidence given by one of the very large millers in Scotland who uses about 4,000,000 bushels a year of Canadian wheat. He said they do not grind anything but Canadian wheat into the flour that they make, and they do that, as he said in his evidence, in competition with the Canadian importer.

We had at London on the 16th of July, 1937, the representatives of the National Association of Flour Importers. Four representatives were present and the gentleman who gave evidence represented the views of all. His evidence appears as follows:—

Q. Do you think that the importation of Canadian flour has any effect upon the importation of Canadian wheat? Does it cause any increase in the importation of Canadian wheat, or what effect has it?—A. It is difficult to say whether it causes any increase, but I do think,

very strongly, that the importation of Canadian flour implies or forces the importation of Canadian wheat.

Q. Why? Will you just amplify that?—A. You get a standard of quality established, and the public are accustomed to a certain type of article. They get the flavour of Canadian wheat and Canadian flour. You get the public accustomed to it, and they ask for it. The British miller, undoubtedly, tends to reduce his proportion of Manitoba wheats in his blend whenever he can, and as far as he can.

Q. On account of price?—A. Yes, on account of price. I do think that but for the constant push and energy of our own trade and of Canadian millers over here, the British miller would tend to reduce the use of Manitoba wheat to a minimum. I think otherwise that the minimum might be a very much lower figure than it is now.

I could read you a lot more evidence to the same effect, but it is not necessary. I came away after listening to all this evidence feeling, and I feel to-day strongly on this, that if you are going to put any kind of restriction, or if you are going to put any kind of discrimination in transportation facilities—

By Mr. Bertrand:

Q. Where do you see that in the bill?—A. Because, Mr. Bertrand, wheat gets the benefit of a competitive rate to eastern Canada. Flour gets the benefit of a regulated rate, and the regulated rate, we feel quite sure, means that it will be a higher rate than the fair competitive rate that wheat gets.

By Mr. Howden:

Q. Do you mean right there that, assuming this bill passes, the Board of Transport Commissioners will as a matter of necessity issue a rate by which all licensed vessels must abide? Will the element of competition completely expire and evaporate after the adoption of this bill?—A. Dr. Howden, under this regulation, these people who are going to carry flour have to file a rate with the board. They file a scheduled rate, and their scheduled rate is on file. That is the rate from which they cannot depart unless they file again special competitive rates. Grain comes down to the head of the lake and there is a vessel here that gets a lower rate than the vessel last week got.

Q. Exactly, and so can the next vessel get a lower rate on flour.—A. No, it cannot. That is the point, it cannot. It cannot get a lower rate on that flour until it has filed with the Board of Grain Commissioners or the Transport Board this new competitive rate. And a competitive rate, I think, has to be on file three days, or something of that sort, before it can go into effect; and they cannot take advantage of the boat that is there.

By Mr. Ross:

Q. Mr. Pitblado, the same boat that took that grain at a lower price would be willing to take the flour?—A. Certainly. Here is a boat there idle, and the boat will take part grain and part flour, and down she goes. But the machinery of putting in a competitive rate to meet a constantly fluctuating grain rate is an absolute impossibility to-day. Our millers who know all about this, who have been working on this thing for years, know that a regulative rate, if you put it in on flour, is going to cost flour more comparatively. I am speaking comparatively because I am coming to this parity that you speak of between rates on grain. That is the way it goes forward, and the millers are not fooling about this thing. We say that they know what they are talking about.

[Mr. I. Pitblado.]

By Mr. Howden:

Q. Does the bill forbid the transport company to arrange a rate with a shipper for large shipments?—A. It requires the licensed shipper to file his tariff with the board, and he says my tariff for this month or for this season is, let us say, as the tariff has been filed by the lake and rail carriers now, 18 cents a hundred pounds for flour. They file that at the beginning of the season, and that tariff cannot be changed and they cannot give any one person a lower rate than that until they have gone down to the board again and filed what they call a "competitive rate". In the meantime the grain up there, millions of bushels of it, has this competitive rate from these lake carriers, bulk carriers up there, an unregulated rate, and down it goes. I do not mind telling you that a cent a bushel or half a cent a bushel may be fatal.

Q. Yes?—A. In the selling of flour.

By Mr. Bertrand:

Q. Your clients want the benefit of this distress rate?—A. We do not want to ship on any distress rate.

Q. You have?—A. We want the benefit of the same competitive rate as the carriage of grain gets.

Q. Grain gets a distress rate.—A. Grain never—if you take the records of the grain shipments during each year by boat, they vary. Why do they vary? They vary because, let us say in the month of April there may be a lot of boats available and the rate is low. I am not talking of a distress rate; but in the month of July there may be cargoes for the boats somewhere else, and they are tramp steamers, and they go somewhere else to carry somebody else's cargo; and the rates go up because these boats are not there. Grain rates vary, and they are not distress rates. The rates vary according to the supply and demand of boats at the very port from which on the very day you want to send your wheat.

By Mr. Stevens:

Q. I wonder if you can answer this. Mr. Pitblado. You may not be able to answer it. Is it not true that much of the export contracts in flour are negotiated almost overnight by cable contracts for delivery of flour at some foreign port, let us say?—A. Quite true.

Q. In order to close that contract, the flour miller or shipper must be able to fix the actual cost of the transport of the flour to the seaboard?—A. Yes; and he arranges his boats. He walks down, as he does now, into the grain exchange where the broker is, and says, "I want a boat on a certain day" that he has in mind. He says, "I have got an exporter who wants some grain shipped. I want to charter a boat for a whole cargo," or for whatever space he may need. The broker says, "I will give you space for the number of bushels you want, or for a full cargo at so much." Knowing that he can get his boat to take it down, he then sees what he can do about his ocean rate, and he gets his ocean boat arranged for, chartered. He quotes this price, whether it is wheat or flour, it is all the same. He gets his price out of it in the old country, and he makes his rate.

Somebody has an idea that I want to dispel from their minds that grain comes down on distress rates. That is not so; it comes down on a competitive rate, that is all.

By Mr. Bertrand:

Q. When there are boats lying up there you will have distress rates?—A. With the arrangement that we have to-day with boats, with the Canada Steamship Company carrying—I may be wrong in the figures; I am guessing—about 40 per cent of the tonnage that is carried, and all these other carriers up there to-day who are carrying in total about 60 per cent of the tonnage, this talk

about distress rates is all wrong; as is also the talk about boats being stuck up there. That does not happen very often. I do not think that a boat owner would send a boat up to Fort William with a cargo of anything unless he knew pretty well that he was going to get a return cargo at a rate which would give him some return.

By Mr. McIvor:

Q. He can always get a return cargo from Fort William because they have a lot of things up there to ship.—A. Exactly. The point I am trying to make is this, the fact that distress rates exist because the boat is going to stay there is something that I would like to dispel from your minds at the present time. But I would say this; some of these men say they are not getting rates that are paying them. In order to find out whether the return of any steamship company is paying or not you must go behind the grain and flour rate. You cannot get it from the rates they get on wheat or the rates they get on flour. Anybody knows you have got to look way behind that and see whether they have too many boats or not and see what their capitalization is and a whole lot of other things about them in order to find whether they are paying dividends or not.

I have yet to hear,—and I am speaking by the book when I say this, because I have acted for the grain exchange for a great many years,—anybody come along and say that he has a boat at distress rates. Too many people want to ship grain, particularly when there is a good crop, for that to happen.

You know, I am going to depart from my brief a little. I am talking to you now, and I am going to say this, that the troubles of the railway companies are not going to be cured by regulating wheat coming down the lakes. What is the trouble? The trouble is—

Mr. BERTRAND: We don't want to do that.

The WITNESS: Let us be fair. What is the trouble? The trouble is the traffic is not there to move; and if we only had in western Canada to-day the average volume of wheat and flour to come down via the Great Lakes, I think you would see that the returns of our railway companies would be in a quite different position.

By Mr. McKinnon:

Q. Right at that point, with the agreed rates, would it not be possible for the milling companies who are large shippers in their own right to make an agreed rate to offset the difference in the rate that they cannot get?—A. May I answer that in this way. We look with great disfavour on agreed rates, not merely the principle that I mentioned to you; with one exception, unanimously our men look with disfavour upon agreed rates, because they feel one milling company or one shipper—I do not care whether it is a milling company or not—may be able to get some preferred position that another one could not get. We do not believe that agreed rates on the structure of the commodity that we carry or that we handle is in the interests of Canada or in the interests of the body of mills as a whole.

I am going to make this suggestion to you. I was rather surprised to find our millers all agreed about agreed rates. I just met them a day or two ago. I said, "what about agreed rates?" They thought it over and, to my surprise, they all agreed. I can visualize this, and the reason I visualize it is that I saw a letter from the old country which gave me a clue in regard to this. Let us suppose that one of the milling companies has a loss. They can make agreed rates—

By Mr. Bertrand:

Q. Since your clients agreed on the agreed rates you had better not argue against them, because we have had quite a number of arguments against them.—A. I do not intend to argue it, but I wanted to tell you that. We are opposed

[Mr. I. Pitblado.]

to it. We do not believe that we can help the situation in that respect. We believe that it would cause friction between the members of the milling trade itself. We believe, and our people believe, that although one of them or two of them might get an advantage over the others by reason of getting some agreed rate—

By Mr. McKinnon:

Q. You also recognize there is a possibility that you might get a rate that would help you very materially in the export market?—A. One mill might, but we are in competition with each other. I am speaking about his getting it in that way. These gentlemen that I represent—I should not use a slang expression I sometimes use in the grain trade, what you would do with half a cent a bushel or a few cents a barrel—are competitors. The competition between them is just as keen as the competition between them and the British millers, and do not forget that. They do not want to be put into the position of being able to go to any carrier and dicker with him, because of the preferential position in which they are going to be put in regard to the carriage of stuff. I think that is a fair position.

By Mr. Hamilton:

Q. Does not that apply to ships?—A. How do you mean, ships?

Q. They can get a preference over the other boats. You can make an arrangement to ship flour from the head of the lakes, and can somebody else not make an arrangement to get a better rate?—A. That is the very thing we are suggesting. If you leave flour under agreed rates we are suggesting that at the present time you gentlemen down here are all steamship companies, and you pretty well know if you are all steamship companies, what the other fellow is doing. These steamship companies are not sitting idly by and allowing each one to go somewhere else. They pretty well keep tab on what is doing, and if they want a shipment out of Fort William they might go to him—

By Mr. O'Neill:

Q. How can one shipper keep tab on the other?—A. As best he can.

Q. But with the agreed charges when the railway company makes an agreed charge, or a shipper makes an agreed charge with the railway company, the railway company must submit that to the Board of Railway Commissioners, or to the Transport Commissioners, and then that agreed charge must be published.—A. All right.

Q. But the way it is at the present time they are not published at all.—A. The circumstances and conditions enter into that, don't forget. When I get to the agreed charges that I speak of I am not going into it very fully. There are other gentlemen who have done it much more ably than I am able to do it, but I may say that we are opposed to it. What I am trying to say about agreed charges is this: let us take one miller who has mills in eastern Canada and western Canada and who says to the railway company, "I will give you all my transportation, both eastern and western Canada, if you will give me a rate on flour down here. I want to get that; what about it?"

Q. Any other shipper can get the same rate.—A. He cannot, because he has not got exactly the same conditions. He has not got this business in eastern Canada to give him. I am speaking largely for western mills.

By Mr. Bertrand:

Q. I do not think you are right there. According to the bill any shipper would be able to get the same rate if he was in western Canada, because the quantity or volume is not taken into consideration.—A. It says, "under similar conditions."

Q. Volume and quantity are not taken into consideration.—A. That is not in the bill.

Q. That was discussed here.

Hon. Mr. STEVENS: It is not in the bill.

The WITNESS: I know it was discussed here; and if anybody can tell me the discussion that takes place in the committee—

Mr. BERTRAND: I am taking the words of the Minister of Transport in that regard.

The WITNESS: Let me put this to you. I know the way the Minister of Transport feels about it. Does anybody say that discussions that took place in this committee can be used in the courts by anybody who has to administer the Act? You can go before the court with copies of the speeches delivered in the House and say "this was the intention of parliament when the Act was passed," but the court will say, "we are sorry, you cannot put that in as evidence. We can only go by the wording of the Act as it is." I know this, that discrimination, trade discrimination—I am not talking about traffic discrimination—can exist to-day under the Railway Act. An illustration was used here the other day of an oil man at Saskatoon and an oil man in Regina both selling oil in the same territory, one gets a reduced rate and the other one cannot get it. Why? Because there is discrimination under the Railway Act. That is one thing; trade discrimination is another.

By Mr. Bertrand:

Q. That is on account of the competitive rate that may be brought in as a factor in one place and cannot be brought in in the other.

Mr. ROSS: In this case it is supposed to be a competitive rate.

The WITNESS: I got off my track about agreed rates. I did not intend to argue that, but as it has been raised I thought I should make some remarks in regard to it. I have not prepared a statement or thought out anything on agreed rates except that I have been instructed by my people to say that, on the principle of agreed rates, they are not in favour of it. They do not believe in it.

By Mr. Young:

Q. I would like to make this quite clear. As I understand Mr. Pitblado, he is simply talking about agreed rates as it applies to grain products only?—A. Yes, certainly. That is the point I am at. The reason I was doing that is this: as I understand it, the main argument that has been made in connection with the agreed rates clause is because it is something that you hope to get, on account of motor truck competition.

Q. And it does not apply to this at all?—A. No. That is what I was going to say. I think it is a most vicious thing for grain—to stick grain and flour in it; and yet the clause here is wide enough to do it. I was quite pleased to find that our people were agreed. Let me, if I may—I am sorry I departed from that.

By Mr. McIvor:

Q. Mr. Pitblado, you just want one thing. You have just one amendment?—A. That is all I am asking for.

Q. When a man gets down to one thing, it is quite clear. You want flour and other grain products—A. Treated the same as grain.

By Mr. Ross:

Q. Grain products and grain by-products?—A. Yes, grain products and grain by-products. That is what we want. They are carried that way now.

The last thing I was saying—and I was quoting—was this: From the fact that this flour of ours is the best salesman of Canadian wheat that there is, there should not be any discrimination as suggested in the bill between bulk grain and flour which we believe will mean an increased cost for the carriage of

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flour, because as set out in our submission in paragraph 8, "such discrimination would undoubtedly lead to a substantial reduction in the exportation of Canadian flour, which in turn would curtail the exportation of Canadian wheat, to the permanent detriment of our western producers."

By Mr. McKinnon (Kenora-Rainy River):

Q. In paragraph 9 of your submission you say: "During the present crop American mills are regaining their export flour business at the expense of the Canadian producer and industry." I would like to ask you why.—A. Well, I think partly for two or three reasons. The first reason is because the United States has a lot of wheat for export now, and they are much more in competition in the markets of the world, both in wheat and flour, than they were before. The second reason is because their wheats are cheaper than ours, comparatively cheaper. We have had such a scarcity. It seems unfortunate but it is true—perhaps the producers have got the benefit of it—that we have had such a scarcity this year of our hard wheat, numbers one and two, that if anybody has ever looked up the prices of numbers one and two hard wheat, he will see the great premium that has been paid for it until very recently over what you might call the option market. Roughly, probably those two reasons are there. But the fact remains, and the point I am making out of it,—and in a moment I am going to give you statistics to show you I am correct in my facts, if you let me come to that—the fact remains that we dropped off this last seven months and they went up. I want to tell you that in some markets of the world they are tremendously keen competitors with us. They are just as keen business men as they can be. The point we are making on that is this: if our flour has got anything added to it in the way of cost, you are just going to make it that much harder for us to compete. The American grain has not got that regulated rate on flour. American shippers have no regulated rate on flour. That goes down just on this competitive rate and the flour millers all down on those Great Lakes can get it on the boats; they can make use of the free and open competition of getting their flour out; and if we have got a regulated rate, we are convinced it will hurt us, and we will be discriminated against.

By Mr. Howden:

Q. If, therefore, you have this suggested amendment adopted in this bill, the bill is all right by you?—A. Well, no. I do not say the bill is all right by me. Because if I am asked our views on other parts of the bill, I can give them. But that is all we are asking for.

Q. I mean to say, you have no objection to the bill after that?—A. No, I will not say that. I say we are asking for just that. But if you ask us if we agree with the bill, I would have to tell you "No, we do not." But we did not come here to voice any other objection. Others are doing so.

By the Chairman:

Q. It seems to me, Mr. Pitblado, your submission is complete in itself?—A. That is all.

Q. You have even submitted an amendment?—A. Yes.

Q. It seems to me your presentation ought to be complete now?—A. Well, it is complete in that respect; except this, that I wanted to cover, Mr. Chairman—I am not going to do it, though—the absolute necessity that we have got here,—that we have to keep our waterways open. The great amounts of money that have been spent in developing our waterways and canals have all been done to carry freight as cheaply as possible; and certainly no artificial restrictions should be put on it. These waterways have been of tremendous benefit to Canada all over, and they have been of immense benefit to western Canada. Without water transportation Canada could never have grown to the position that it has among the nations of the world.

I was asked about American competition, Mr. Chairman. I have here the figures. We did not make any statements that cannot be substantiated. Here are statements for seven months ended March 31 of this last year, from the Bureau of Statistics, of the barrels of flour sent from Canada and from the United States respectively, as compared with the same period of 1937. We shipped from Canada during those seven months 2,256,731 barrels of flour. We shipped in 1936, 521,657 barrels more. In other words, our trade dropped off by 521,657 barrels of flour in that period. The United States increased during the same period, the seven months, comparing this year and last year, 752,066 barrels of flour.

By Mr. McIvor:

Q. That is because we did not have it to ship?—A. Oh, no. We had the flour to ship; but it is because they had the flour to ship and export, and because by virtue of the price that had to be paid over here, we had to pay, the millers had to pay for that wheat over here to get it, and because the price theirs can get—they can give a price and undercut you in the markets of the world in competition.

By Mr. Young:

Q. I think you will agree it has nothing to do with tariff rates?—A. Tariff what?

Q. This rate at which grain is carried?—A. No. My point is this—

Q. I think it is well known—I understand that. I say, "Do not make it any harder for us". That is all my point. My point is, as I set out in paragraph 9 of our submission, "Do not make it any harder for us, because we have got that competition to meet."

Now, I want to meet, Mr. Chairman—and I have to do it because Mr. Walker made a statement the other day before the committee—a statement that Mr. Walker made before the committee the other day. He said, in speaking of this flour that was coming up—he was asked by some gentleman to say what about the flour. He said:—

At the present time in the year 1937 over 54 per cent of the flour—by which we mean all grain products, you know; grain and grain products—move east from the head of the lakes on a lake and rail movement which is regulated by a rate approved by the Board of Railway Commissioners.

Q. Did you say railway commissioners or grain commissioners?—A. Railway commissioners. It is a lake and rail rate.

While I am reading that, I might point out that he said:—

approved by the Board of Railway Commissioners.

I do not think it is an approved rate. It was a filed rate that they did not disapprove of. I think that is the rate. But he said "approved", anyway. Continuing:—

That left 45 per cent going on the all water route. Now out of what went on the all water route, there was 76 per cent of that handled by the Canada Steamship Company who, I understand, generally are in favor of regulation; so that in the aggregate there was 89 per cent of the flour moving from the head of the lakes that moved either on rates that are regulated by the board or on rates that are published by the Canada Steamship Lines, which company is in favor of regulation; which leaves only 11 per cent of the flour moving on unregulated rates. So that if only 11 per cent of the present movement is being brought under regulation it is very difficult to see where the matter should be brought of any vital consequence.

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In other words, his argument is that this percentage is too small for the millers to worry about. Well, if it is too small for the millers to worry about, surely it must be too small for the railways to bother about. They are the ones who are supporting this bill, they and the Canada Steamships Company who are carrying all this—and it is only the other 11 per cent. I will venture to say it is for the benefit of the railways that this bill is being passed. They are asking—I mean they are supporting a change in the present law and practice so far as flour is concerned; and on their own contention, they should not ask a change in law for such a "trifling" percentage. That is my first argument. The railway companies on consideration must know that the statement that only 11 per cent of the flour moves on unregulated rates is inaccurate. Mr. Walker's exact statement was, "which leaves only 11 per cent of the flour moving on unregulated rates." It is here in Hansard, and the reason I am referring to it is because members of the parliament who will read that may believe that the thing is correct. They must know that that statement is inaccurate. In 1936-37, the year quoted by Mr. Walker, the flour carried by Canada Steamships Company was in no sense on a regulated rate. It was just as unregulated a rate as the rates of the other carriers. The fact that Canada Steamships Companies quoted rates, moreover, did not make them published rates; and I have never been able to find, and no one has ever yet seen, a published rate of the Canada Steamship Company, on flour from the west. They have got some published rates on package freight in eastern Canada, but I have yet to find a published rate on flour. Try and get one, a published one—we have not got one—on flour coming down. Mr. Walker speaks of "published rates"—flour published rates. So that in 1936-37, to use Mr. Walker's own figures, 46 per cent of all the flour carried east from the head of the lakes during the season of navigation was unregulated as to rates. And on the railway's own showing, 46 per cent of the flour traffic will become regulated if this bill passes, not 11 per cent. The railways stated 15 cents per 100 pounds was the water rate from the head of the lakes to Montreal, as the Canada Steamship Company's rate that year. Well, the Canada Steamship Company quoted a rate—the reason I say "quoted" is because some of our members have got letters quoting rates—but it was not published; it never was published. But if a man asked for a rate they would tell him. The quoted rate was 14 cents to Montreal for domestic—and I am speaking of domestic; and there was a comparison made with the 6·6 cent grain rate—whatever that rate was, fourteen cents or fifteen cents. There was nothing to hinder the Canada Steamship Company giving any rate it wished to meet competition or for any other reason; and I do not know whether they did, and you do not know whether they did and who can tell whether they did? The Canada Steamship Company is the largest and most important of the lake carriers. They support this application. Why? Only one reason suggests itself to me.

By the Chairman:

Q. Except clause 35 in paragraph 5?—A. Oh, yes. But I am speaking of this rate proposition. Oh, I know. But this is a splendid one. Why? Because between these companies, between the C.P.R., the C.N.R., and themselves, the carriers, you have got here 89 per cent. You have got that here of the freight on flour. Would it not be a grand thing to get a regulated rate for that amount? Would it not be a splendid thing to get a regulated rate? Certainly they did not intend to give us a lower rate. Nobody is suggesting that this is done to lower the rates. I can only see, and our people can only see, an intention to get a higher rate. I think they see the probability of higher rates if they themselves and the other railway companies bring flour under the provisions of this Railway Act. Why should they not support this regulation? As Mr. Enderby told you here, they have got peculiar facilities, docks and warehouses on the lakes that most of the other carriers have not got. He stated that they had put in facilities

and docks and warehouses in the east, which most of the other lake carriers did not possess; and they own some of the largest carriers on the lakes. I am going to suggest to you that if you put flour in there—well, we are afraid of what looks pretty close to a monopoly—I would not like to put it that way, but pretty close to getting it—if you get anybody that carries 89 per cent, according to their figures, or 90 per cent, and get regulated rates for it. I know what we figure that we are going to do with the fellows. It is just too bad; that is all.

Again, take Mr. Walker's figures; he says—and I want to emphasize this—54 per cent of the flour movement was from the head of the lakes on the lake and rail movement which is regulated by a rate approved by the Board of Railway Commissioners. Fifty-four per cent of that moved on that rate down there. Why did it go that way? For a number of reasons. Why did so much flour and grain products move that way? And it has always moved that way, and the railways have always got their share. In this particular case the railways cannot complain of the tonnage they are getting. Why? In the first place this lake and rail movement takes the flour from the head of the lakes to the bay ports, and a large portion of the flour shipped that way from the head of the lakes going down to these bay ports then goes on by rail to interior eastern points which are not served by water transportation. Now, have I made that clear?

Some Hon. MEMBERS: Yes.

The WITNESS: All right. If that flour was carried by an independent carrier, a water carrier, if they took it to these bay ports and if it was shipped by rail from those bay ports to these eastern interior ports the domestic rail rate from the head of the lakes to all these interior points added to the water rates would give a higher rate than the through lake and rail rate of the railway companies. So far as that shipment is concerned, they can't very well go in any other way, and 54 per cent of the flour shipments went through that way. Why? Because in so far as all other millers in western Canada were concerned who are sending down domestic flour for what you call these interior points—and these interior points as I say, are not on the water and none of them can get the water rate which if added to the domestic rate would equal this lake and rail rate. And they are getting that, and I submit that does not hurt their flour.

Now, we say that these interior points—for they go as far east as Ottawa and Montreal, so that when they want to ship down by an independent carrier to these interior points it takes that rate. They cannot get the combination of independent carrier plus domestic rates that will equal this through rate. That is the first one.

Now, secondly; because still more eastern points to which the flour was sent might have water transportation, but while they might have that they might not have dock facilities or warehouse facilities at the point, or if they have dock facilities the cost of carriage to the warehouse might bring the total cost to more than the lake and rail rates. Now, on all these shipments the railways do have—if I might use a very slang expression, but I do not mean it in any objectionable way Mr. Chairman—they have a stranglehold on the business.

Another reason why the percentage was so high last year was because of this rate of 15 cents per hundred pounds to Montreal, Toronto and as far east as Quebec, which the railways offer on the lake and rail rates. And that rate is 15 cents. You can send down from the head of the lakes as far east as Quebec. That is the rate which indeed was induced by the water competition itself. It was in force during three years, 1935, 1936 and 1937. They had a rate of 15 cents from the head of the lakes to these points, and that rate was a rate which was reasonably low enough in comparison to what we worked out on wheat; it was reasonably low enough to attract tonnage, particularly if speed was necessary, because they could get down much more quickly to Montreal and the seaboard than these vessels could; and if a miller wanted to load a vessel at Montreal he gets speed down there. Then he might have quantities which he

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wanted to have meet a certain steamer that sails on a scheduled date and he is late. Now, gentlemen, don't forget that the sailings on the Great Lakes from Fort William and Port Arthur are scheduled sailings. They know exactly when a steamer is going to be there, they are not very sure when they are going to get a boat there, and they take advantage of this competition. That is the second class.

The quantity shipped under this third heading would be materially lessened if lake and rail rates went up unduly and if other water carriers were available.

The DEPUTY CHAIRMAN: Could I interrupt you for a second, Mr. Pitblado? I would like to ask the members of the committee if they would be willing to sit to-night at 9 o'clock. There are two briefs yet to be heard and the gentlemen who are to present them have come a long way, and I think we could get through with it to-night, if you will agree to sit at 9 o'clock.

Mr. O'NEILL: I would so move.

Mr. McIVOR: I second that.

The DEPUTY CHAIRMAN: I hope you will be able to finish before 6 o'clock, Mr. Pitblado?

The WITNESS: I will quit before 6 o'clock because there are some other things I wanted to deal with but I will pass them over briefly. These points I am now dealing with came up in evidence before this committee and I will deal with them as briefly as I can.

Mr. YOUNG: I hope Mr. Pitblado does not think that we necessarily agree with everything that goes into the record. It is going to become firmly fixed in our minds as we proceed.

The WITNESS: I have got to answer something which is in your record and which affects us. I think a lot of these statements made by Mr. Walker were distributed to your committee and I think it is my duty to reply, because of the fact that their presentation of the point was not right. The point I am making is about percentages. I will try to quit by 6 o'clock in deference to you.

The DEPUTY CHAIRMAN: I am only telling you that because I have made a promise that these others will be heard.

The WITNESS: All right. What I want to say is this, that so far as the individual shipments are concerned the percentage is neither 11 as is fixed by this, nor is it 46. Many of the companies operating in western Canada have not got mills in the east at all, but they send everything down this way, and their combined tonnage which is very large, is 52.5 per cent. And so far as the western mills are concerned we confidently believe that if this passes you are going to discriminate against the western miller very seriously. Some of the millers have put it very strongly to me; some of them have put it to me that it would have the effect of penalizing the milling industry in western Canada pretty seriously. It would mean that mills located in eastern Canada could secure their grain supplies on an open and competitive freight market, while the rate on flour and grain products would be fixed on a higher basis for shipment from the west to eastern domestic markets. It might also mean short-time running or complete shut-down of a number of western mills which would decidedly increase the unemployment situation in all milling centres. Curtailment of the milling capacity in western Canada would naturally reduce the quantity of bran, shorts and middlings available for distribution to the farming and dairying industries of the west.

Now, Mr. Chairman and members of the committee, I have talked much longer than I thought I would. A lawyer often does that if he hasn't his brief in writing. Some of the time I have taken was made necessary by the questions which came up as I proceeded. So far as we are concerned

there was one dissenting member of our committee and I have been asked, Mr. Chairman, if you would allow the dissenting member to be heard. The dissenting member I refer to are the Quaker Oats people. They have asked me to put their presentation in and explain what it is. I do not know that I have time to do that, but I would like to answer what they have to say.

By Mr. McCann:

Q. What is their chief objection?—A. Their chief objection is this; they have no flour or grain by-products coming from the western mill, and so they are not affected by that—if I put this wrongly I would like to be corrected by those who are here—they on the other hand have a mill at an interior point not on the water. They have a mill at Peterborough.

Mr. DUFFUS: Is it true that they are the largest manufacturers of flour and cereal products?

The WITNESS: Not flour, I did not say flour—

Mr. DUFFUS: I said, and cereal products.

The WITNESS: All cereals.

Mr. DUFFUS: Flour and cereal products.

The WITNESS: I cannot say as to that. I do not know.

Mr. McCANN: What is the question?

Mr. DUFFUS: Whether they are the largest manufacturers of flour and cereal products in the British Empire. Their largest mill is in the city of Peterborough and I believe I am safe in saying that it is the largest in the British Empire.

Mr. McCANN: Mr. Chairman, I submit that the Quaker Oats representative should be permitted to state his case.

The WITNESS: The only reason I am doing it was because when we were sitting at luncheon to-day it was suggested that before I sat down their letter might be read, and I want to have an opportunity myself of speaking in regard to it. I have no objection to their stating their own case. I am doing this with their full sanction. What I wanted to say about it is this: if their matter comes up and they do present it, and we have no objection to that, I want a chance to reply to it.

Mr. DUFFUS: Is there a representative of the Quaker Oats people here?

The WITNESS: Yes.

Mr. DUFFUS: I would like to move that he be heard first this evening following this argument.

The DEPUTY CHAIRMAN: I am sorry; I promised Mr. James Mayor, representing the Canadian Industrial Traffic League of Toronto, that he would be heard first this evening. I was going to ask him how long it would take for his presentation. Can you tell me about how long you will require, Mr. Mayor?

Mr. MAYOR: It will not take long, possibly about half an hour.

Mr. MUTCH: This is one of the most important things that has come before this committee yet—

The DEPUTY CHAIRMAN: Just a minute, please; let me finish. Perhaps we will all be in accord very shortly. The Montreal Corn Exchange Association has a presentation to make here. How long will it take to make your presentation?

Mr. STARNES: Not more than half an hour.

The DEPUTY CHAIRMAN: Well then we will hear him first (the representative of the Quaker Oats company), then will hear Mr. Mayor second, and then the Montreal Corn Exchange. In that way we will be able to finish our schedule.

Mr. MAYBANK: It is understood that Mr. Pitblado will have an opportunity of dealing with that brief when it is presented?

The DEPUTY CHAIRMAN: We will allow the prescribed time. I do not trust these lawyers, you cannot tell how long they will take once they get started.

Mr. MAYBANK: I do not think it is very important to this committee if he takes three hours and a half, because all these people are here speaking about something that is very important, and I think we should arrange things so that they can be heard. I think we are all agreed on that.

The WITNESS: I think the agenda shows that when we put in our submission I indicated that I would talk about three hours.

The DEPUTY CHAIRMAN: You can talk for three days if you like.

Here is a telegram from New Waterford, Nova Scotia, which should go in the record, I think.

May 13, 1938

CHAIRMAN OF STANDING COMMITTEE, Railways Canals and Telegraph
Ottawa.

Newwaterford Board of Trade heartily in accord with Submission made to-day on behalf of Maritime provinces and transportation commission of the Board of Trade in opposition to Bill 31 and strongly urge the regulation of shipping from Maritime provinces to points on the St. Lawrence and to the Great Lakes be entirely excluded as being detrimental to Maritime provinces and particularly the island of Capebreton.

NEWWATERFORD BOARD OF TRADE

HARRY HINES, *President*,

LAWRENCE J. DOUCET,
Secretary-Treasurer.

We will resume at 9 o'clock.

The committee adjourned at 6 o'clock p.m. to meet again at 9 o'clock p.m. this day.

NIGHT SESSION

The DEPUTY CHAIRMAN: Order, gentlemen. Are the representatives of the Quaker Oats Company here?

Mr. LAHEY: Yes, sir.

The DEPUTY CHAIRMAN: Will you step up, please?

Mr. C. A. LAHEY, Vice-President of the Quaker Oats Company, Chicago, called.

The WITNESS: I have, Mr. Chairman, just a brief statement which I should like to make, with your permission.

The DEPUTY CHAIRMAN: Certainly, go on.

The WITNESS: The Quaker Oats Company have mills located in Saskatoon, Saskatchewan and Peterboro, Ontario, that represent a substantial investment of capital. The mill at Saskatoon is in much the same position with respect of transport rates, rules and regulations as mills of other companies in western Canada, but the distribution of the product of the mill of the Quaker Oats Company is confined, with isolated and unimportant exceptions, to the western area and do not in volume move into the territory east of Winnipeg.

The mill at Peterboro is an important part of the economic life of that community. With its average staff of 550 employees and their families the total is equal to approximately ten per cent of the population of the city. The mill is modern in construction, efficiently operated and equipped to produce from grain and other basic materials, foodstuffs in substantially greater quantities than it has produced since the mill was rebuilt in 1916 to 1917. We also use substantial quantities of materials such as coal, cases, casing material, bags, bagging material, feed ingredients and other articles which form an essential part of the business and most of which are the produce of Canadian industry. Seventy-five per cent of the products of the Peterboro mill find their way into export markets and are of definite value in popularizing Canadian products throughout the world. The mill at Peterboro is the largest cereal mill in the British Empire. It has a grain storage capacity of 1,500,000 bushels and affords a ready and constant market for the produce of Canadian farms. The major portion of the grain reaches the mill through Collingwood, Depot Harbour, Goderich, Midland, Owen Sound, Port McNichol, Sarnia, Tiffin and Toronto, from which places, during the period from 1924 to April 1938 a total of 53,000,000 bushels of grain was shipped into Peterboro. The rates by rail from these ports are all subject to regulation and are adjusted to a common unit through Peterboro to Montreal. The distance from Port McNichol, Tiffin and Midland is about 370 miles; whereas that from the more distant points such as Goderich, Owen Sound and Sarnia is on the average about 550 miles. Thus it will be seen that the policy of the railways to maintain, for apparently competitive reasons, equal rates from all of these grain receiving and shipping points, disregards the distance factor and creates a condition that in no way can be said to be helpful to the solution of our competitive difficulties.

Grain moves from the lake head to competitive milling centres to which all water transportation is available. A substantial proportion of the products of western Canadian mills shipped eastward moves from the head of the lakes through the Great Lakes and river routes at unregulated rates to markets in which we compete in the sale of our products. The rates arranged for such transportation in the absence of regulation lack the stability which would prevail if control of such charges was vested in the Board of Transport Commissioners. The stability of rates, within reason, is essential if we are to get the greatest advantage of our transportation system. It is our opinion that the continuation of the present dual system of regulated and unregulated rates is inimical to the best interests of the transportation agencies and industry as well, and we concur in the opinion expressed by the Minister of Transport in his opening remarks of April 28th to the effect that it would desirable to include materials shipped in bulk under regulation.

That is the completed statement of the Quaker Oats Company.

The DEPUTY CHAIRMAN: Are there any questions, gentlemen?

Hon. Mr. STEVENS: I have one or two questions I should like to ask.

By Hon. Mr. Stevens:

Q. Did I gather from your remarks that you advocate the inclusion or the regulation of grain, and what else?—A. All bulk materials that are defined as such in the proposed Railway Act.

Q. I may not have caught you aright. You are not suggesting that the Act should be extended to include bulk materials under regulated rates?—A. Yes, that is the statement that I make.

Q. You are?—A. Yes.

Q. That is rather surprising. Did I also understand that your objection to the exclusion of flour would be because of the advantage that the mills in the west have over your competition because of the low rate on flour, the low

[Mr. C. A. Lahey.]

unregulated rate on flour?—A. That is our claim. It is our claim that the conditions associated with our business are such that the movement of any mill products from western Canadian mills with all water service from the head of the lakes on an unregulated or unknown rate is detrimental to the interests of the Quaker Oats Company.

Q. Would you agree that if they were regulated it would have a tendency to increase the price of the products from the west?—A. The price of the products I think I should answer that in this way, if you will allow me to make my answer in my own way.

Q. Surely.—A. That regulation in our opinion does not presuppose destruction. Our theory is that the Canadian Railway Act with all its provisions, if this bill is enacted into law, will still remain as it is. The Board of Railway Commissioners of Canada would have jurisdiction over all rates. Sane, sensible and reasonable regulation in our judgment would simply mean that all conditions associated with the publication of any rates that may be regulated and published would be considered by those who had the power and the authority to decide water rates or regulate individual cases.

Q. What proportion of the 53,000,000 bushels you spoke of since 1924 was wheat?—A. That period from 1924 to 1938, to April of this year, and covered all of those parts. I am sorry that I could not make a division between wheat and other grains; I do not know.

Q. Really what would be interesting to me is to know the proportion of the very excellent business of your company—I pay tribute to it; they are excellent products, because I use them— —A. Thank you.

Q. I should like to give you a little bit of free advertising. What proportion of that excellent business is flour and what proportion is breakfast foods and other prepared foods?—A. I wonder if I might ask Mr. Cutting, the manager of our mill at Peterboro to answer that question.

Q. Yes.

Mr. R. C. CUTTING, manager of the Quaker Oats Company mill at Peterboro, called.

The WITNESS: Mr. Chairman, I hope you still can trust us. I recall this afternoon you said you could not trust these people to get off the stand. We are willing to get off.

Mr. Stevens, answering that question, and not trying to be absolute, I would say that about one-seventh of that grain would probably be wheat. In that case, a great part of it, frankly speaking, is oats. Possibly I might amplify my last statement by saying that our business, a large measure of our business, is not wheat. In other words you all know that. Our major business is cereals—

Mr. MAYBANK: One-seventh and six-sevenths, something like that.

The WITNESS: That would be an approximate figure. I am talking in terms of grains or wheat. If I were to talk in terms of dollars and cents the figures would be very different. That grain goes into cases; that process of manufacturing accounts for quite a considerable sum of money.

By Hon. Mr. Stevens:

Q. You might answer one further question. What proportion of the one-seventh of flour would be exported?—A. Fifty per cent.

Q. Fifty per cent?—A. Yes.

The DEPUTY CHAIRMAN: Are there any further questions, gentlemen? Thank you very much. Does Mr. Pitblado want to answer these gentlemen?

Mr. ISAAC PITBLADO, K.C., recalled.

The DEPUTY CHAIRMAN: I will give you fourteen minutes exactly.

Mr. Mutch: Take all the time you need.

The WITNESS: Mr. Chairman, in view of the time that I have taken and the points I have elaborated on, I do not know that I am going to take very much more time, except to mention one point; and then if any body wants to ask any questions I shall be very glad to answer them.

I spoke of the traffic the railways get coming out of western Canada; and according to the figures that Mr. Walker gave, 54 per cent of all the flour—because we are speaking of flour—that moves forward during the period of navigation, the railroads get the carriage of it. But a very large proportion of flour moves eastward during the winter months, and the railroads get the full carriage of that. Why does that move east during the winter months? What I mean by winter months is the months that navigation is not open. Everybody knows that a manufacturing business like a mill must be kept running all the year round, and it runs all the year round in all these places. For the sake of argument I looked up the percentage of the total output moving east from two western mills that have no mills in the east to see what percentage of their total output moved east in the wintertime.

By Hon. Mr. Stevens:

Q. By rail?—A. By rail at a high rate; at a rate, speaking from memory, to Montreal of 20 cents per 100 pounds last year as against 15 cents lake and rail during the summer. I found that between 29 and 30 per cent of the total output of these two western mills moved eastward during the wintertime, and the railroads get the full benefit of it, not at a competitive rate induced by water competition, but a rate that water competition had nothing to do with; at the full rate, the same rate as grain brought out of there; because the rates provide that grain and the flour products move east at the same time. I mention that because I do not want the committee to think that the railways are not getting their full share, Mr. Chairman, and gentlemen,—their full share of the tonnage that is carried. We say they are. And if you are going to consider that as an important factor, as you do in connection with the movement by trucks—I think one of the things that is troubling the committee is how much have trucks come in to decrease the tonnage that the railways would otherwise carry.

The next thing I come to is this, that the trucks have nothing to do with this movement. The truck competition does not enter into it with this flour situation that I am dealing with. The next thing I wanted to say was that the difficulties of the railway companies, which you may be trying to meet insofar as regulation of agreed rates are concerned, do not arise by virtue of the flour situation. That is not the trouble. The trouble arises, as you know, from quite other and different things. That, Mr. Chairman, I leave with the committee. I only have one thing to say about Mr. Cutting's presentation—the presentation which he makes. His difficulty is a difficulty with his own mill; and the trouble is that his mill is not situated on the water but is situated inland. Therefore, in connection with his rate structure, he is not as favourably situated as the mills in the east. But so far as the point I am making on flour from western Canada is concerned, the presentation that he makes for his mill shows that no flour is exported by them from western Canada in any quantity nor are any products exported from western Canada in any quantity. We are dealing in this case I am presenting to you with flour moving from the head of the lakes to the east as compared with grain moving from the head of the lakes eastward; so that the point he makes there shows that in that movement his company is not concerned. His presentation is quite logical. He thinks that the grain should be regulated. In saying that, he means all these bulk things you have in this Act, that you have excluded from the Act; and he thinks that the carriage of grain ought to be included. He has a perfect right to it. We do not differ from him in any respect in his

[Mr. I. Pitblado.]

right to his own viewpoint. But so far as this bill is concerned, I think, Mr. Chairman, I am correct in saying that up to the present time that is the only presentation that has been made asking that grain should be included in the provisions of this bill—that is, that the regulations should apply to grain. I do wish to say this, that if the committee has any thought of including grain in it, I know of a very large number of organizations in western Canada that would like to be heard upon the matter—some of them that would.

By Mr. Young:

Q. I do not think you need to worry about that.—A. It is not a question I am worrying about. But the point is that is his point—we want grain excluded and flour. We want grain regulated and flour regulated also. We want all these bulk things regulated. That is consistent from the viewpoint that he has.

By Mr. Maybank:

Q. Could we get through those representations by the end of July? We expect to be here that long, anyway?—A. Mr. Maybank, you know the feeling of the west pretty well on the regulation of grain rates; and I think you are better able to judge that than I am. Grain was in the bill last year and created considerable disturbance. I think even the Winnipeg Grain Exchange put in a presentation or sent down suggestions against it. I know the views of the farming communities. I may say that is one thing in which both the pools and the Winnipeg Grain Exchange agreed upon, one of the few things; and all the farmers organizations in the west were very much opposed to it. This year that was left out; and I mention it. I have nothing more to say, Mr. Chairman, unless somebody wants to ask questions.

By Mr. Mutch:

Q. Mr. Pitblado, is not the submission of the Quaker Oats Company a tacit admission that in their opinion the bringing in of bulk grain would soften their competition with the western mills and therefore an indication to us that it would raise the cost of either flour or grain coming in?—A. Well, with all due deference, I do not think I should be asked to pass upon a conclusion of one of the members of our own association that I represent. We have no quarrel with any member of our association who has views of his own. We are only too glad to have them presented here.

Q. I appreciate that.—A. All we want to do is to see that it would be quite clear to the committee why they had these views, and what the views actually were. Outside of that, I do not want to be asked any conclusion to be drawn from those views.

The CHAIRMAN: I may assure you we are extremely obliged for your valuable presentation.

The WITNESS: Thank you, Mr. Chairman. I am sorry that I took so long.
Witness retired.

The CHAIRMAN: I will call on Mr. James Mayor, representative of the Canadian Industrial Traffic League of Toronto.

Mr. MAYOR: Mr. LaFerle will speak first.

The CHAIRMAN: I see. I did not know he was here. Then we will have Mr. LaFerle, please.

CHARLES LAFERLE, president of the Canadian Industrial Traffic League, called.

The WITNESS: Mr. Chairman and gentlemen, I am president of the Canadian Industrial Traffic League, an organization consisting of traffic managers of

various organizations from coast to coast. We have our own organization to deal with freight rates and many other issues dealing with transportation.

With your permission, Mr. Chairman, if I may, I shall read this little memorandum that I rushed out before I left Toronto.

Mr. Chairman, Mr. Jas. Mayor and I are representing the Canadian Industrial Traffic League.

It may be well to outline briefly what the Canadian Industrial Traffic League has done before we arrived at the conclusions which will be presented to you shortly by Mr. Jas. Mayor, Chairman of the Special Committee dealing with Senate Bill B and House of Commons Bill 31.

The League has not been a party to any chain letter propaganda, and whatever we have accomplished has been on the strength of what we have learned through the activities of the League's committees.

Subsequent to the defeat of Senate Bill B, the Special Committee to deal with same was instructed to carry on with the study of that particular part of "Agreed Charges" and to develop the issue from all angles, with the object in view of assisting and enabling the Executives of the League to find out if there was anything that could be done to bring about the operation of such "Agreed Charges" without creating more chaos to our transportation problem.

In view of the forecast in the speech from the Throne at the opening of Parliament, of legislation to provide for an extension of the powers of the Board of Railway Commissioners for Canada, the Canadian Industrial Traffic League in Annual General meeting assembled at the City of Montreal on February 3rd, 1938, again discussed the question of "Agreed Charges", and after a thorough survey of the whole situation was made, the meeting unanimously endorsed in no uncertain manner, opposition to "Agreed Charges".

On March 11th, 1938, copy of Bill 31 was sent to all the members of the League, with the urgent request to study same and submit promptly any comments for and/or against any section of the Bill. We urged all the divisional chairmen to call special meetings to discuss every possible angle of the "Agreed Charges" feature. We advised the members that it was of paramount importance that their criticism of the Bill, whether favourable or otherwise, should be presented as early as possible to the Special Committee handling the Bill. No influence or any suggestion was advanced by the Executives of the League to the members, but we deliberately left the issue entirely in the hands of the respective members.

We have investigated the subject matter very thoroughly, and as a matter of fact divisional committees were created from coast to coast to analyse the effect of the operation of "Agreed Charges" from the standpoint of local and national conditions. Each and every one of the divisions submitted their findings to the Special General Committee, who in turn, on behalf of the general membership of the League, referred their conclusions to the Executive Committee for final action.

To avoid any misunderstanding, Mr. Chairman, on March 23, 1938, I arranged for a special joint meeting at Toronto of the chief traffic officers of the Canadian National Railways and the Canadian Pacific Railway Company and members of their respective legal departments, and the general membership of the League to discuss Bill 31 and in particular Part 5 dealing with "Agreed Charges."

Mr. Alistair Fraser, K.C., Vice-President in charge of Traffic of the Canadian National Railways, Mr. Geo. Stephen, Vice-President in charge of Traffic of the Canadian Pacific Railway Company, Mr. E. P. Flintoff, K.C., General Counsel of the C.P.R., Mr. F. Evans, Economist of the C.P.R., Mr. A. Walker, General Freight Agent of the C.P.R., and Mr. R. E. Perry, General Freight Agent of the C.N.R., were present at this meeting, and the members were invited to ask every conceivable question in connection with "Agreed

[Mr. C. LaFerle.]

"Charges," with the hope that those present who, prior to the meeting, were strongly opposed to Part 5 of the Bill, would have an opportunity to review their position in this connection.

The answers given to the main questions evidently failed to convert the members that the operations of "Agreed Charges" would work satisfactorily without creating discrimination, litigation and last but not least, more disturbance in our present transportation problem.

After many conferences and meetings, the Executive Committee concurred in the unanimous decision of the Special Committee to oppose in part, some of the sections of Bill 31, and unanimously agreed with the members of the League to oppose Part 5 in its entirety.

In view of all this, and the position the League has taken before the Ontario Royal Commission on Transportation, the League felt that it could not consistently support the application of such a vicious legislation which, if put into effect, would have the tendency to strangle competitive forms of transportation agencies, at the expense of the taxpayers. The method of meeting competition by the application of "Agreed Charges" is most unsatisfactory and to our judgment is nothing else but a destructive policy, for it will make worse what is wrong. It is economically unsound to permit any transportation agency, which is dependent on the general funds of the National Treasury, to take advantage of its position in offering transportation service at a loss, simply to destroy or eliminate from the transportation field, transportation agencies which are bound by all the known laws of supply and demand to be in the field, not only for to-day or to-morrow, but as long as the users of same desire them to be at their service.

The conclusions of the League were arrived at after a careful analysis of the entire issue and without dictation from representatives of any transportation agency. Our conclusions are not based on expressions of vague and unfounded apprehension, but are expressed in clear terms, based on practical knowledge of our transportation requirements.

With your permission, Mr. Chairman, Mr. Jas. Mayor, who by the way does not belong to the Legal fraternity, but is considered by his colleagues to be one of the outstanding students of transportation, based on practical knowledge, gained through his daily contact with transportation problems, will present to your Committee the Canadian Industrial Traffic League submission.

Before concluding, I may say that perhaps Mr. I. C. Rand and Mr. Geo. Walker of the Canadian Railway Association may also charge that the members of our Divisions and our Executives are all out of step but them.

THE CHAIRMAN: Thank you very much. Are there any questions, gentlemen? If not, I will call on Mr. Mayor.

JAMES MAYOR, representing the Canadian Industrial Traffic League, called.

THE WITNESS: Mr. Chairman and members of the railway committee, I want first of all to thank you for holding this meeting this evening. It meant a very great deal to me because I had appointments for tomorrow.

In appearing before you I am representing the Canadian Industrial Traffic League, an organization which came into existence in 1916, and composed of representatives of commercial and industrial houses throughout Canada, hence nation-wide in its interests as well as the nature and scope of its work.

These representatives are those employed by these commercial and industrial firms in the capacities of traffic directors, managers, officials or those engaged in the handling of the various transportation policies and problems of the firms represented in the organization.

It, therefore, follows and must be conceded that these men have a thorough knowledge of transportation matters, and therefore are competent to give practical views of the effect and expediency of Bill 31 now being considered by your Committee.

Last year, when Bill B was considered by the Senate Committee, our League appeared in opposition to certain features of that Bill which we considered not to be in the national interest. The League's submission appears in the proceedings of the Senate Railway Committee. Session 4, pages 120 to 126, and Session 9, pages 314 and 315.

The present Bill 31, generally speaking, shows a decided improvement over that submitted one year ago to the Senate of Canada. However, there are again incorporated some of the features to which we made decided objection last year, and to which we are still opposed, as we believe these provisions are inimical to the best interests of Canada in the matter of equality of treatment, and of fair, just and reasonable rates to all shippers large or small, without undue discrimination.

We are, therefore, submitting our views in reference to the proposals of the Bill.

Interpretation Section 2, subsection (e)

In reference to the explanation of goods in bulk, there are some commodities that are put up for shipment in blocks or other forms, and each piece or package wrapped separately for convenient handling. At certain seasons of the year, the shipment of such commodities occupies the full available cargo space of the vessel; therefore, we would suggest that subsection (e) be amended to include such other cargo as occupies the cargo space of the vessel.

Part II—Transport by Water (Section 12—Intercoastal Services)

By the Deputy Chairman:

Q. Do you consider that your first paragraph is a draft of the amendment? —A. No, it is just a suggestion, Mr. Chairman. We did not suggest any distinct amendment; we throw out the suggestion that it should be amended accordingly.

We note while coastwise traffic on the Atlantic and Pacific Oceans has been eliminated from the provisions of this Bill, *that the intercoastal movement between the Atlantic and Pacific Ocean Ports of Canada is to be left subject to regulation.*

Last year we opposed the regulation of this movement, and we are still of the same opinion.

The reasons for our objections to the regulation of the intercoastal water movement between Canadian Atlantic and Pacific Ports are as follows:—

1. This service is different from other water services in that it is in direct competition with world-wide all water services, *some of which are unregulated*, and the Canadian intercoastal service would, therefore, be placed at a very great disadvantage if regulation of rate matters is insisted upon.
2. This intercoastal service is designed to transport goods between Atlantic and Pacific Ports to enable shippers to lay their merchandise down in competition with these world-wide water services.
3. This world-wide competition means the movement of goods from the highly industrialized countries of Europe, the United Kingdom and the United States, whether produced at low wage rates due to low living costs or by means of mass production. It thus affords the keenest competition and this intercoastal service is designed to meet this situation due to its lower operating costs.
4. This competition being very keen, decision has very often to be made and contracts entered into at one or two hours notice, and cannot wait for the involved procedure necessary and required if the intercoastal rate matters are to be regulated. It, therefore, requires the most simple procedure within which it may operate and enable it to obtain the benefits of its inherent advantages.

Inland Water Transport

If regulation of inland water transport is to be approved, then the principle of fair, just and reasonable differentials below the various types of rail rates should be maintained, thus reflecting the inherent economic advantages to be gained through the operation of water transportation over the natural inland waterways of Canada.

Part III—Transport by Air

This is a new form of transport and as yet largely in its formative stages, providing at present mainly for the transport of freight and passengers in the mining, undeveloped and sparsely settled areas of Canada, remote from the services of the other forms of transport. The strength or weakness of the effect of regulation on the services thus provided should be sought from men prominent in the conduct of the commercial air transport services, who are competent to say whether regulation of this form of transport is either desirable or necessary.

Part IV—Tariffs, Tolls and Traffic

This part is in our judgment unnecessary as all its provisions are at present embodied in the Railway Act.

It, however, has the advantage of being stated in much simpler language and its meaning more readily discernible, and we submit that the sections of the Railway Act corresponding to these subsections in Bill 31 could, with advantage, be changed to conform to the language and phraseology of this part wherever they cover the same subject matter.

If transport by water other than the intercoastal movement and exceptions noted in Part II, section 12 of the Bill is to be regulated, there is no adequate reason why same should not (with exceptions noted) be subject to the same regulatory procedure as the rail carriers.

Part V—Agreed Charges

The League is still of the same opinion as was expressed to the Senate Committee on Railways, Canals and Telegraph Lines, when Bill "B" was being considered.

While being in favour of sane, moderate and wise regulation, the permissive machinery embodied in this part would be most destructive of a fair, just and reasonable rate making procedure, lead to undue discrimination as now forbidden by the Railway Act, and prevent equality of treatment which is so necessary to-day in the conduct of modern business. It makes possible the placing of an advantage in the hands of big business to the distinct disadvantage of the smaller shipper.

We are, therefore, strongly opposed to this part for the following reasons among others:—

1. Because it is exempted from the provisions of the Railway Act, the clauses of which are designed to secure the principles stated above.
2. Because to a large extent it would mean a return to the chaos, discrimination, inequality of treatment and inequitable procedure in existence prior to 1904.
3. Because it is made in favour of one shipper and one class of carrier, to the distinct disadvantage of all other shippers interested, and carriers representing other forms of transportation, and may, as a result, provide for undue discrimination between large and small shippers and between the different forms of carriers.
4. Because when once approved by the Board an "Agreed Charge" in favour of a shipper covering an indefinite period, which cannot be set aside until after a period of one year, may mean that any shipper not having a similar "Agreed Charge" would suffer loss of business or be called upon to absorb difference in charges on existing contracts, all of

which provide a medium for unfair and unjust practices and chaos and discrimination in commerce and industry.

5. Equality of treatment and undue preference provisions, at present embodied in various sections of the Railway Act, and pertaining to the standard, special and competitive tariffs, as enumerated in sections 328, 329, 344 and 345, would not be applicable to traffic moving under this part (if approved) for the reason that the interpretative clause defining the meaning of the term "Agreed Charges" and the application of same, together with the fact that by section 35, subsection 1, "Agreed Charges" are distinctly removed from the rate making and regulatory procedure embodied in the Railway Act, Bill 31, or any other statute having to do with railway rates and their regulations. The elimination of above provisions, in so far as their application to "Agreed Charges" under Part V of Bill 31 is concerned, is likely to provide a very chaotic condition as the regulatory procedure proposed in this part in lieu thereof is inadequate to properly protect the interests of shippers and other users of transport services.

May we suggest, therefore, that Bill 31, as at present constituted, be amended by the withdrawal of Part V on "Agreed Charges" for the reason that this part of the Bill is objectionable to the shipping public because it

- A. Is essentially discriminatory.
- B. Allows for inequality of treatment so undesirable in modern business.
- C. Provides the medium whereby the inherent advantages of the different forms of transportation may be set aside in favour of one particular form.
- D. Places the small shipper at a distinct disadvantage with the large shipper.
- E. Enables the railroad systems to annihilate all other forms of transportation, regulated or otherwise.
- F. Arbitrarily disrupts and disturbs the present rate structure and rate making procedure which has stood the test for 34 years under the Railway Act.
- G. Means an unnecessary return to private deals, all of which are harmful in the extreme and disruptive of confidence.
- H. Provides a medium whereby the chaotic conditions prevailing prior to 1904 may be re-established.

Mr. Chairman, there was another matter that came up after we had prepared our brief which was referred to yesterday in the brief of the Hamilton Chamber of Commerce; that is, dealing with the matter of national harbour tolls.

We desire to associate ourselves with the presentation being made by the Hamilton Chamber of Commerce in regard to the matter of harbour tolls.

I took it up with the members of our committee and received their unanimous consent to so commit the league. I want to read for your information copy of a resolution adopted at a meeting of the executive committee of our league on March 16, 1938. It reads as follows:—

IN THE MATTER of draft tariffs dealing with harbour charges issued by the National Harbours Board.

Whereas the National Harbours Board is now contemplating to increase the rates and charges at Montreal and other Canadian Atlantic ports covering harbour and dockage dues, tolls, wharfage rates, etc., which may have the effect of diverting Canadian and United States export and import traffic from Canadian ports;

And Whereas some of these charges were formerly paid by importers and others at the local harbours, and on shipments for furtherance were

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absorbed by the transportation companies, a procedure which may now be cancelled due to the excessive proposed increases, and;

Whereas it would appear that all hearings upon the matters are being held in camera and by special appointment, the reason assigned for so doing being that the draft tariffs are of a confidential nature which procedure does not tend to give that measure of confidence which we could expect in connection with a matter of such vital importance.

Be it resolved, therefore, that the executive committee of the Canadian Industrial Traffic League, being so vitally concerned in these proceedings, places itself on record as follows:

IN THE MATTER of Draft Tariffs dealing with harbour charges issued by the National Harbours Board.

Whereas the National Harbours Board is now contemplating to increase the rates and/or charges at Montreal and other Canadian Atlantic ports covering harbour and dockage dues, tolls, wharfage rates, etc., which may have the effect of diverting Canadian and United States export and import traffic from Canadian ports; and

Whereas some of these charges were formerly paid by importers and others at the local harbours, and on shipments for furtherance were absorbed by the transportation companies, a procedure which may now be cancelled due to the excessive proposed increases; and

Whereas it would appear that all hearings upon the matter are being held in camera and by special appointment, the reason assigned for so doing does not tend to give that measure of confidence which we should expect in connection with a matter of such vital importance;

Be it Resolved, therefore, that the Executive Committee of The Canadian Industrial Traffic League, being so vitally concerned in these proceedings, places itself on record as follows:

1. That the National Harbours Board being a public organization should be required to hold public hearings on all major issues and complaints filed with them.

2. That any rates, charges, dues, tolls or fees set for the various harbours should be on a fair and reasonable basis.

3. That having such a vital bearing on the Canadian inland freight rate structure having to do with export and import rate structure having to do with export and import freight rates, the assessing of these harbour charges by The National Harbours Board and hearing in regard thereto should be finally decided by The Board of Railway Commissioners for Canada.

By the Deputy Chairman:

Q. You realize, Mr. Mayor, that this does not come under our order of reference because it has nothing to do with bill No. 31. I suppose you may as well go ahead, if the members do not object.

The WITNESS: 4. Further, that this matter being of such vital importance to the business life of Canada, the National Harbours Board proposed schedule of charges, dues, rates, tolls, etc., be not approved by governor in council until such times as proper public hearings have been held thereon by the Board of Railway Commissioners.

I just read that for the information of the members and we desire to associate ourselves with the presentation being made by the Hamilton Chamber of Commerce.

The DEPUTY CHAIRMAN: Are there any questions?

By Hon. Mr. Stevens:

Q. In the last page of your brief you refer to your objections and you consider the bill—I use your own words—is essential discriminatory. Would

your view be at all modified by subsection 5 of section 35? If you have it before you. It provides:—

(5) Any shipper who considers that his business will be unjustly discriminated against if an agreed charge is approved and is made by the carrier, or that his business has been unjustly discriminated against as a result of the making of an agreed charge, may at any time apply to the board for a charge to be fixed for the transport of his goods (being the same goods as or similar goods to and being offered for carriage under substantially similar circumstances and conditions as the goods to which the agreed charge relates) by the same carrier with which the agreed charge is proposed to be made, or is being made, and if the board is satisfied that the business of the shipper will be or has been unjustly discriminated against, it may fix a charge (including the conditions to be attached thereto) to be made by such carrier for the transport of such goods.

Would not that in some way meet your objection?—A. No, Mr. Stevens, it does not meet the objection. I am going to quote from the minutes of the meeting to which Mr. LaFerle referred at which the vice-presidents of the railways were present and the question was asked as follows: If a shipper enters into an agreement with the railway companies and he finds he can give him all his business by rail you set a rate of say 20 cents per hundred pounds; another shipper produces the same class of material and finds himself in the position through the demands of his customers of not being able to give you 100 per cent, but maybe 75 per cent of his business; what would be the attitude of the railways? Will they not give the second shipper the rate of 20 cents? And this is the answer of the vice-president: Presuming the rate was a good rate the railways want every ton of freight that a man could give them. If they could not get from a shipper all of the business, they would take what they could. If a man found himself in that position he would make his application to the board that the rate would prejudice him—if a man is prepared to ship all of his goods by rail (remember this, all of his goods by rail) the Transport Board will fix him a rate. A man who is prepared to ship all the business by rail that he possibly can may fear that he will not get the same rate. He would have to trust to the discretion of the board as to whether there existed substantially similar circumstances and conditions in order to satisfy them that this man would receive the same rate. The railways want every possible piece of business that they can get, and if they know that a man had 20 cars to ship and he shipped only 10 by rail they would battle for his business—and so on. And he also said that if a man could only ship one car as against another shipper shipping 10 cars this should not be considered as being substantially similar circumstances and conditions, and that the board would naturally be guided thereby. Then what follows is this: You might possibly get the same rate if you applied for a fixed charge. That fixed charge may be three cents dearer because of the difference in the volume of business being carried on by the two different companies.

By Mr. Young:

Q. How could the vice-president presume to speak for the Board of Railway Commissioners?—A. The difficulty is this, Mr. Young, I understand all this was drafted by the gentleman in question.

Q. It would not be interpreted or applied by him?—A. No, it might not be interpreted or applied by him; but the board that is going to interpret does not take the opinion of anybody, it takes the actual statute as it is printed and deals with it from that standpoint and not from any man's opinion. And the natural inference is this, that if a man could ship only one car a week

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as against another man shipping 10 cars, the man that ships one car is not entitled to the same rate as the man who ships 10 cars. At the present time under the Railway Act the man who ships one car a week is entitled to get the same rate as the man who ships 10 cars, but under this Act that is all set aside because the very first section under agreed charges says, notwithstanding anything in the Railway Act or in any other statute the board may do so-and-so—

Q. The railways a short time ago on a rate from Calgary to Regina on crude oil decided to put in a rate and make it applicable to 25 cars providing the 25 cars were shipped in one train load—A. Yes.

Q. That was the idea of the railways; but the Board of Railway Commissioners stepped in, they would not agree to it and they made it applicable to 1 car.—A. That just bears out what I have been saying.

Q. However, that is a decision of the board; and I am suggesting to you that the Board of Transport Commissioners might be of the same opinion on similar cases, no matter what the railways may have thought about it themselves?—A. Well, you have got to take these matters and deal with them just exactly as they are represented in the statute, and I am satisfied that with a proper interpretation of the bill as it is printed at the present time the Board of Railway Commissioners would do exactly as they did in the Regina case.

By Mr. Hamilton:

Q. Might I ask this question, if the Chairman will permit me? If the expression that you referred to, "substantially similar circumstances and conditions" were a little better defined in the Act would it be possible to overcome the difficulty you foresee?—A. It might, but there is not sufficient publicity in this Act. That is one thing.

Q. Dealing with this expression for the moment, I can quite see your point there; that is a matter of interpretation, it is left to the discretion of the board to interpret that somewhat vague expression. Now, what you have in mind I take it is that discrimination as against the smaller shipper would be quite possible under that?—A. Yes.

Q. And are there others—I have no doubt there are others, but that is the main thing. I take it that the smaller shipper not being able to ship such large quantities would be at a disadvantage if the interpretation of the board is such as to put him on a different basis from the larger shipper. Could not that be corrected by an amendment?—A. I do not think so. I do not think you could amend this in any way that will work satisfactorily. Our suggestion is that this entire section be eliminated from the bill, and that is the only way that I see. And these agreed charges are certainly not in the interest of the business men of Canada.

By Mr. Howden:

Q. You would agree that the Board of Transport Commissioners would still be referees in the matter and would still be able to umpire the game, so to speak? A. Unless there was objection raised to the agreed charge the Board of Transport Commissioners would do under this just exactly as they do at the present time. A copy of the agreement would be filed with them and if there is no objection it would be approved and go into actual operation. They would not question whether it was a right rate or not. They do not at the present time, unless there is objection raised. If there is an objection raised then they go into it.

By the Deputy Chairman:

Q. But the circumstances are exactly the same as the present time?—A. Certainly.

By Mr. Hamilton:

Q. There is discrimination, is there not, under present conditions—possible discrimination—as between the different localities—similar distances shipping to the same destination?—A. There is possible discrimination at the present time but not undue discrimination. It is undue discrimination that we are concerned about.

By Mr. Howden:

Q. I was just not quite through on that point. Would you agree that the Railway Act as it is at present administered is fairly satisfactory?—A. I believe so.

Q. Under the Board of Railway Commissioners?—A. Yes. It has stood the test of time for 34 years.

Q. And you will agree that this Act as it is here drawn up will submit all these matters to the Board of Transport Commissioners who will in future have precisely the same jurisdiction that they have had in the past?—A. It will submit to them; yes, naturally.

Q. Well then, if the Board of Railway Commissioners have been administering the Railway Act to the satisfaction of the people of this country generally in the past is there any need to consider the possibility that they will not continue to do so in the future—if they are the absolute referees in these matters?—A. At the present time the Board of Railway Commissioners act under the authority of the Railway Act, which provides against undue discrimination, and this here—this is part of the first section—by section 35, sub-section 1, it removes that discriminatory feature entirely from them. It says, notwithstanding anything in the Railway Act or in this Act or in any other statute. That is simply taking it right out of their hands, taking out of their hands the question of discrimination, in our judgment.

Q. Yes, it provides another Act to take the place of the Railway Act, but the regulations imposed are to all intents and purposes the same?—A. Not when it says, notwithstanding anything in this Act—that does not provide another Act.

By Hon. Mr. Stevens:

Q. Under the Railway Act if a competitive rate or a special rate is put into operation that rate is open to all shippers; is that right?—A. Yes, sir.

Q. Under this Act, if it comes into force as it is presently drafted, a rate may be made with one shipper?—A. Yes, exactly.

Q. And is not open to other shippers unless there is an appeal to the board?—A. That is right, Mr. Stevens.

Q. Is that the difference between the two?—A. That is the difference between the two—part of it. It is part of the difference between the two.

Q. In other words, the Board of Railway Commissioners at present could not permit by law—could not permit— —A. What is proposed here.

Q. What is proposed here.—A. No.

By Mr. Hamilton:

Q. Does not that depend entirely upon the interpretation they put on "similar circumstances and conditions"?—A. That is the great trouble.

Q. And that is assuming they will put on a certain interpretation; it is the danger of that which you are afraid of?—A. Exactly.

By Mr. O'Neill:

Q. The Board of Railway Commissioners have given fair satisfaction for the past twenty-four years, have they not?—A. They certainly have. There have been very few cases where decisions have been made that have been set aside as the result of appeals from their decisions.

[Mr. J. Mayor.]

Q. Would it not be reasonable to presume that they would give a fair interpretation to what is discrimination or what constitutes discrimination?—A. Surely, if an appeal is made to them, but the trouble is there is an absence of proper publicity provided in this here.

Mr. McCANN: That will be provided for in their regulations.

By the Deputy Chairman:

Q. Mr. Mayor, did you hear the evidence of the chairman of the railway commission?—A. No, I did not.

Q. Did you read it?—A. No. I left before the copy got there.

Q. He said to the committee that the conditions that will apply under 31 will be exactly the same as they have applied to the Railway Act up to the present time; that full publicity would be given to all those private agreements.—A. I do not know how you are going to give full publicity. According to this here it is only seven days from the time that the agreement is made to the time it goes into operation, unless an appeal is made against it. At the present time the machinery is entirely different from that. Under the provisions as enumerated here the railway company makes an agreed charge with a firm, and they submit it to the board for approval. Seven days is the time that is given for the entering of any objections. At the present time the proposals made by the freight association of changes in classification and so on, changes in rates—if they are to be increased there is certain statutory notice that is given, and the organizations such as the Canadian Industrial Traffic League, the Canadian Manufacturers' Association, or the Boards of Trade receive proper notification of same.

Q. But is not there a time limit there just the same as at the present time?—A. Yes, but it is longer—thirty days—and we have an opportunity of entering our objections, if we have any, against the arrangement that is being formulated.

By Mr. Young:

Q. I understood you to say an agreed charge would be with one shipper only?—A. Yes, that is what the bill says.

Q. Is not every other shipper in the same class entitled to exactly the same rate?—A. No; not necessarily so—not according to the bill.

Q. Under substantially the same conditions?—A. Well, if the board decides to give it to them or the railway lines agree to it. The whole thing is the interpretation of this clause, "substantially similar circumstances and conditions."

By Mr. O'Neill:

Q. You would not care to take a chance on the board after thirty-four years?

Hon. Mr. STEVENS: I personally have asked a number of questions which have drawn from members of the committee the suggestion that we are questioning the good faith of the Board of Railway Commissioners.

The DEPUTY CHAIRMAN: Absolutely.

Hon. Mr. STEVENS: Now, I am not going to sit here and allow that to go in the record without a protest. I am going to ask a further question, but before doing so I want to clear this point. I want to say this: I have watched the operations of the Board of Railway Commissioners since its inception; I have had the privilege of appearing before it many times in the last twenty-seven years, and I think it is the finest court in Canada.

The WITNESS: Hear, hear.

Hon. Mr. STEVENS: Without exception.

The WITNESS: Hear, hear.

Hon. Mr. STEVENS: And I am not going to allow members of this committee to spread on the record the suggestion that we are questioning the good faith of the board. Now, I will add this for the benefit—

The DEPUTY CHAIRMAN: You do not mean that members of the committee have said that?

Hon. Mr. STEVENS: Yes.

The DEPUTY CHAIRMAN: Oh, no.

Hon. Mr. STEVENS: Read your record of the last fifteen minutes; it is on there a half dozen times. I am going to say this further, that as far as the Board of Railway Commissioners are concerned, in the administration of this new Act, if it goes into force, we have equal faith in the Board of Railway Commissioners. However, that is not the point at all. I want to ask this question.

Mr. YOUNG: I want to know what members of the committee have made any suggestions.

Hon. Mr. STEVENS: The suggestions were made. An hon. member said a moment ago, "have you faith in the Board of Railway Commissioners?"

Mr. HANSON: He asked the witness if he had faith in them.

Hon. Mr. STEVENS: Read your record to-morrow. I am simply making it clear that in asking these questions I make no reflection upon the Board of Railway Commissioners.

Mr. YOUNG: Nor any other member of the committee.

Hon. Mr. STEVENS: I am going to ask—

Mr. O'NEILL: You are suggesting that other members have, though.

By Hon. Mr. Stevens:

Q. I am going to ask the witness this question: under the present Railway Act in the sections that deal with discrimination or in the sections that deal with competitive rates, a rate is filed by the railway company or notice is given—it is not the formal filing of a tariff—unless there is an application against it that rate goes into effect?—A. That is correct.

Q. Now, under the present Railway Act that board, as an administrative body, cannot permit agreed charges or individual rates?—A. That is correct.

Q. In other words when a competitive rate is filed on a given section, any shipper, no matter who he may be, may enjoy that rate?—A. Exactly.

Q. Under this bill 31, and section 35, if the bill passes into an Act, it will be competent for individual shipper to make a private agreement with the railway?—A. That is correct.

Q. And that private agreement is filed with the board?—A. That is right.

Q. And if there is not objection to it, then that private agreement goes into operation?—A. That is right.

Q. And it is not open to other persons?—A. That is right.

Q. And in that respect this Act empowers the board to sanction something that is not permitted under the old Act?—A. Correct.

Q. And, therefore, it has nothing whatever to do with the discretion of the board?—A. That is right.

Q. In other words, new powers under this Act are being conferred upon the board?—A. Correct.

Q. And lastly the board is controlled by the Act, not by discretion?—A. That is right.

By Mr. Hamilton:

Q. But it is controlled by the interpretation of this section of the Act; and that is matter of interpretation, is it not, Mr. Mayor?—A. I would not say that.

Mr. LAFERLE, recalled.

The WITNESS: If I might be permitted, as chairman of the organization, perhaps it is only right that I should state the record of the league as clearly [Mr. LaFerle.]

as possible. The Canadian Industrial Traffic League never stood in a better position with the railway board than we have stood for the last twenty or thirty years. I have the greatest respect for the Canadian Railway Board. We are very closely in touch with them, and they know us from coast to coast. As a matter of fact, we try to educate our members through our educational committee on the work of our good Canadian Railway Board. But in this Act you are placing the railway board in a very awkward position, because you are asking them to do something that they cannot do to-day under the Railway Act, and you are asking them to approve of something which is absolutely discriminatory against shippers. At our meeting in Toronto we asked a definite question: supposing a shipper of Kitchener has one car of furniture and another shipper right across the street has ten cars of furniture in a week, would the man shipping that car of furniture get the same agreed charge as the man shipping the ten cars of furniture?

Mr. McCANN: Why should he?

The WITNESS: To-day he would.

Mr. McCANN: Conditions are different.

The WITNESS: A man shipping one car of furniture—that is all he can give.

By Mr. Hamilton:

Q. That is what I am trying to get at. I am asking, is that a fact; is it a fact that they would get a different rate?—A. The answer to our questions by the traffic executives of the Canadian railways—I invited them because they have made a study of this bill since it was published—they have been working since the Senate bill B was defeated—and we wanted to be satisfied of our positions as traffic managers. We have to foot the bill. We buy transportation. And we wanted to make sure whether by defeating it we might be losing out. I said that we had better ask them to come and explain how it works; we were ignorant; we did not know anything about it. They are supposed to handle this bill if it is put into effect through the operation of the railway board. We went to all the trouble and invited them to come and enlighten us. What did we get? The answer to your question was: "We will have to leave that with the railway board." It is not because we have not got faith in the railway board, but you are placing the railway board in an awkward position because under this Act they have no other alternative but to give one man one rate and another man another rate.

By Mr. Elliott:

Q. What is the nature of the agreement you make with trucking firms now, with regard to charges?—A. As I said in my preliminary introductory talk, we filed with the Ontario Royal Commission on Transportation a very definite brief. We are in favour of regulation of transport rates, but what rates would you give to the transport? You know that transport to-day, especially in Ontario, is not in such a healthy condition as one would like it to be. I might answer your question in an intelligent manner and say, "We will give them a 57-cent rate or a 60-cent rate." Some of the traffic managers do pay, dear sir, rail rates, notwithstanding the fact that the rail rates to-day are very much lower than the rail rates of two years ago. That is exactly what we are afraid of in these agreed charges—that the rail rates will go so low, my dear sir, that before you are through you will not have any competitive form of transportation. Will that answer your question?

Q. Are those rates published in any way?—A. Some of them are published by the large transport operators; yes, they are.

Q. Do you make an agreement with the trucking firms?—A. There are hardly any agreements. The transport operators will come in and say, "I want to look after your business from a certain place to a certain place." You say,

"what is the rate?" If the rate is too low, and if the traffic manager knows his job and he wants to protect his merchandise, he will say, "I will not accept that rate; it is too low; in case of loss or damage you will not be able to pay me." But, unfortunately, we have others who may accept a terribly low rate which is not a paying rate.

By Mr. Hamilton:

Q. What I am anxious to do is to guard the interests of the smaller shipper. That is why I am asking these questions. The suggestions made this evening gave me a somewhat different idea to the idea I had the other day. Now, I understood from what was said here the other day that, to take your illustration, as I recall it, when an agreement was made to carry furniture for a producer or shipper of furniture and he happened to be a big producer and could ship a fairly large quantity, that that agreement was submitted to the board and a certain amount of publicity, or necessary publicity would be given to it, and that the other furniture dealer being a shipper or carrier, a different type of people, would have an opportunity to go before the board and make any representations that he might care to make. I think that Mr. Stevens suggested that that was not the case.

Hon. Mr. STEVENS: I made no suggestion of that kind at all.

Mr. HAMILTON: All right. I think possibly that is the way it reads. However, is it your understanding then that they could give a rate to the large shipper and that the smaller shipper would not have the opportunity of getting the same rate with reference to shipping his furniture?

The WITNESS: That is, the Canadian railway board will approve an agreed charge lower to a larger shipper than to a smaller shipper?

Mr. HAMILTON: Yes.

The WITNESS: I would say without any hesitation, even if I do not belong to the legal fraternity, and can read the English language not very well, the board will probably do what it says here. They are introducing a new ideal.

Mr. HAMILTON: In interpreting that expression "similar circumstances and conditions" do you think that the board would not be able to find that the small shipper came within that, as compared with the large shipper or the big shipper?

The WITNESS: I would say that the smaller shipper would be hurt under this clause.

Mr. EDWARDS: It would not be similar circumstances.

The WITNESS: Quite right, sir.

Mr. YOUNG: If I remember correctly, the other day the Minister said very distinctly the intention of this bill was to give exactly the same provision to the smaller shipper as the larger shipper obtained.

Mr. HAMILTON: That is what I understood.

Mr. YOUNG: Further, if that intention was not properly expressed in the bill, that the bill would be changed in order to meet that very objection. Now, that is the understanding we got.

The WITNESS: With all due respect to what the Minister of Transport has said here—I read all the evidence of the gentlemen who gave evidence here—we have to go by this Act.

The DEPUTY CHAIRMAN: The Act can be changed.

The WITNESS: What I have here has not been changed.

Mr. YOUNG: The Minister of Transport said if that intention was not properly expressed the Act would be so changed as to convey properly that intention.

[Mr. LaFerle.]

The WITNESS: Even at that, sir, even if you change bill 5 and turn it upside down or turn it inside out I still say that you are going to create a tremendous chaotic condition; and I am speaking now not from the transport or the waterways or the railways standpoint, but I am just giving you my personal experience as a traffic expert, and I have to foot the bill. If there is something any good in part 5, gentlemen, we will be the very first ones to welcome it.

By Mr. Maybank:

Q. I want to go back to that Kitchener example that you gave to see if I got you clearly. You spoke of a man having his full output, say ten cars, on which he gets an agreed charge; then you say the man across the road is in the same position exactly. He has his whole output ready to ship; but his whole output is only one car. Your fear is that the small fellow cannot get that which is given to his fellow competitor?—A. That is quite right.

Q. Then, it comes to this, it is solely because he is bigger that he can do better?—A. That is one point.

Q. Let us extend that now and say that the small fellow has two cars. Still the conditions would not be the same. Let us extend it to three cars. Would you give the same answer?—A. Well, it is still left to the discretion of the board about similar circumstances.

Q. What I am getting at is this: it does seem to me that you are almost insisting that the small fellow would grow to the size of the ten-car man in order to get the same as the ten-car man. May I therefore suggest to you probably you are making out of the word "similar" the word "same"?—A. Mr. Maybank—

Q. Are you not reasoning as though the word had to be "same"?—A. Mr. Chairman and Mr. Maybank, I have read that clause so many times on account of my position—we do not get paid for it; it is all educational work—I have read that over very carefully, and we have consulted our legal department—

By Mr. McCulloch:

Q. Under the old bill, if I were shipping ten cars of coal I would get a certain price from the C.N.R. The man who is shipping ten cars or three cars would get the same price as I got. I know that to be a fact.—A. As far as rates are concerned?

Q. Yes.—A. If you were to ship ten cars to-day and some other man ships three carloads, he gets the same rate as you?

Q. Yes, that is right.—A. If you ship l.c.l.—that is one point I would like you to keep in mind—to-day we have l.c.l. traffic, small lots.

Q. Less than carload lots.—A. Then, you have carload traffic. Now we are including something else, agreed charges.

By Mr. McCann:

Q. Take your example again. Do you consider for one moment the man who sold the one carload of stuff got the same price as the fellow who sold ten?—A. I am not a commercial buyer, sir.

Q. You know quite well he likely did not. To-day our railways are selling service. If they are selling one unit of service at a certain price, surely they should be in a position to sell ten units cheaper?—A. Providing it is with their own money.

Q. It is with their own money.—A. Not if you go too low.

By Mr. Maybank:

Q. I think your fear in that respect is a little too great. You are exaggerating to some extent.—A. We are not here to exaggerate; we are here to give you our experience.

Q. I am not suggesting you intended to exaggerate, not for a moment. I am not suggesting that; but I think your fear is not well grounded.—A. It is not my fear; it is from coast to coast, after a whole year's studying of it.

By the Deputy Chairman:

Q. The result of your conference with the railways is you did not satisfy the railways and they did not satisfy you?—A. We were to satisfy them, but they did not satisfy us.

By Mr. McCann:

Q. How large is your organization?—A. We started in—

Mr. HANSON: Manufacturers' Association.

The WITNESS: No; this is the Canadian Industrial Traffic. We have a division in British Columbia, and a division in Winnipeg, one in Quebec city and one in Toronto; and as a matter of fact before it arrived at any decision we exchanged more letters than this table will ever hold.

By Mr. McCann:

Q. That does not answer my question.—A. We have about 360 members.

Q. Individuals or firms?—A. Firms, sir, and all traffic executives or traffic directors.

The DEPUTY CHAIRMAN: Thank you.

By Mr. Howden:

Q. I should like to clear up one point to my own satisfaction.

The DEPUTY CHAIRMAN: You never will.

By Mr. Howden:

Q. I should like to clear up one point to my own satisfaction with regard to a statement made by Mr. Mayor to Mr. Stevens a while ago. I gathered from what Mr. Mayor said that he rather believed that a shipper and a carrier could enter into an agreement for a certain rate which would be open to that shipper only and to nobody else. It would be agreed upon and corroborated by the board and would be open to that shipper and no other shipper could avail himself of the advantage of that rate. Now, in section 35—

Hon. Mr. STEVENS: Unless a competitor made application.

Mr. HOWDEN: You did not say that at the time.

Hon. Mr. STEVENS: Yes; I read the section.

Mr. O'NEILL: Mr. Mayor, in connection with a matter brought up by the hon. member for East Kootenay in connection with agreed charges, a question was directed to you to the effect that the board would not put an agreed charge into effect unless objection were raised; is that correct?

Mr. MAYOR: Yes.

Mr. O'NEILL: This Act does not say so. It says: "The board may approve an agreed charge only for such period as it thinks fit," and so on. It does not say it must. I thought the hon. member for East Kootenay was pointing to me when he was pointing to somebody in the room making remarks against the Board of Railway Commissioners. I do not think any member of the committee excepting the member for East Kootenay himself would take that meaning out of what I said. I think probably he will be the only one who would think that. I should like to clear that up, because I probably know some of the Board of Railway Commissioners more intimately than the hon. gentleman does. I do not think any of those gentlemen on that board think that I have that idea of the Board of Railway Commissioners.

The CHAIRMAN: Thank you, Mr. Mayor, very much.

Witness Retired.

[Mr. LaFerle.]

The CHAIRMAN: Will the representative of the Montreal Corn Exchange Association please step forward?

C. GOWANS, Vice-president of the Corn Exchange Association, called.

The WITNESS: Mr. Chairman and gentlemen, I am not going to take up the time of the committee to-night by repeating various things that have been said to-day.

MR. EDWARDS: A little louder, please.

The WITNESS: Mr. Birchell of Halifax happened to cover the same ground that we intended to cover in regard to the licensing of steamers—the awkward position involved there. Mr. Campbell of Toronto has also placed in evidence his objection to the water transportation lines being included under part 2 of the Act, Mr. Pitblado has also covered part of our story,—although we had no previous discussion with some of these gentlemen; so it looks as though our thoughts were running in unison. We prepared a statement. It is very brief. I propose to read it and comment on it, if there is anything further to say, as we go along. Our only objection to the bill as it stands to-day is part 2 and part 5. On part 2, our first objection is:—

1. Notwithstanding statements to the contrary, neither the public nor the lake vessel owners are asking for this proposed control.

Sixty per cent of the lake vessel owners are opposed; and the other forty per cent are in favour of part 2 but not in favour of part 5.

By Mr. Maybank:

- Q. Sixty per cent in number?—A. Sixty per cent in tonnage.

By Mr. Young:

Q. How many companies?—A. There are about eight or nine, offhand. Those are the ones that were represented before the committee by Mr. Campbell of Toronto.

- Q. Sixty per cent?—A. They said sixty per cent.

By Mr. Mutch:

- Q. Forty per cent represented by the Canada Steamships?—A. Yes.

2. Numerous attempts have been made in Parliament since 1914 to control inland water rates, but public opinion has expressed the strongest opposition against any attempt to limit competition between water carriers and railroads, also between the water carriers themselves.

This is not a new agitation for the control of water transportation. It started in 1914. It was brought up again in the House in 1915, 1916, 1919, 1920, and the last time in 1921—of course, prior to the Senate Bill "B" last year. I will not take up your time, but in going over the details of these various bills that were placed in the House from time to time, I find that the strongest advocate in years gone by in regard to the control of water rates was Mr. Armstrong, who was at that time the member for East Lambton. But the House always apparently came to the decision that it was inadvisable to attempt to control the water lines.

3. In paragraphs 4 and 5 the proposed system of licensing as drafted will result in curtailing water competition to vessels at present in operation, and places restrictions on the building of new tonnage. Lake freight steamers do not usually operate on regular schedules, nor between specific ports. No person can attempt to prophesy with any degree of accuracy that a new vessel will be required for future public convenience.

Now, the minister, according to some of the evidence I read, mentioned that all lake vessels in existence at the present time were entitled to a licence. Well, there is a certain amount of loss in vessels as the years go by. They become obsolete or broken up for scrap. What is going to happen in regard to the licensing or those vessels in the years to come? If we had one hundred vessels on the lakes or two hundred to-day, in the natural course of events, five or ten years from now, there is going to be twenty-five or fifty of those that have disappeared. They have to apply to the board for a licence. If they are building a boat, they have to apply to the board for a licence; and they have to show that it is for the public convenience. They have got to prove, according to the reading of the Act, that it is absolutely essential for the public convenience, and also that the service is necessary. You gentleman who are familiar with the grain trade know that lake vessels tramp from one port on the lakes to another. They may be down in Montreal to-day and may take a cargo of coal to a point like Hamilton. They may take woodpulp to a Lake Michigan port in the United States. They may go up to Fort William or get a cargo part of the way and go the rest of the way in ballast. It is impossible, as I see it, from the transportation standpoint, for any of these lake vessels to tell from one day to another that they are going to be on any regular schedule or on any regular service. You can see for yourselves what that means, that if they are going to be restricted to a tariff—and there we are not discussing at the moment the question of rates; we are talking about the position of the boats and their privilege of going from one place to another as they see fit—if they are called upon to file tariffs providing for certain services, as we see it, they become common carriers and they might be forced to take small parcels or part cargoes from one point to another, and it might disrupt the eastbound business in which we, as grain dealers, are interested.

4. Licensing and filing tariffs for lake and river steamers is a cumbersome method, it is felt, and is likely to interfere with the speedy consummation of trades, which is so essential when commerce is highly competitive.

You all know that grain is exempted from the Act; and the only reason for mentioning these items is that anything that affects the westbound movement of these vessels will also affect our grain rates eastbound. If we cannot get low rates eastbound from Fort William or from Chicago, on grain for export, then our growers in the west are going to feel the effects of it. You can see that a man—the owner of a boat who has that vessel in Montreal, which has come eastbound with a cargo of grain, has of necessity to try and find a westbound cargo, no matter what the rate may be in order to get his vessel up to the head of the lake for another load of grain. The same thing happens on the ocean. Your grain tramp to Montreal gets certain rates for the eastbound movement of grain. They also get a low rate on coal from Montreal. Separately those two rates would make extremely lean earnings, but the two rates added together give a boat a fair average earning over the entire round voyage. If that happens on the ocean, the same thing applies to our inland water carriage. Do we want to do anything to prevent the free movement of grain by the all-water route? The railways, I do not think, are putting up any objections to the movement of grain all-water. They get a certain percentage of it lake and rail. But from the way we read the act, part 2 of the act, it might very well lead us to the point where, while bulk grain rates are not affected by the act, they would be indirectly affected by the westbound cargo rates.

By Mr. Maybank:

Q. Just a minute there. We know that grain is the chief eastbound commodity, but what is it in percentage? I suppose there are some other com-

[Mr. C. Gowans.]

modities that come down by water. Do you happen to know that?—A. No, sir. I could not tell you that. But you have got your flour.

Q. I meant grain and flour.—A. Mr. Pitblado could tell us that.

Mr. PITBLADO: I can give you the report on canals.

Mr. MAYBANK: Oh, yes, I can get it there myself quite well.

Mr. PITBLADO: The canals statistics will show that.

Mr. MAYBANK: That is right.

The WITNESS: 5. Item 5, paragraph 12, is regional legislation as it favours the maritime provinces and Pacific coast, but apparently discriminates against St. Lawrence and upper lake ports.

Our reason for pointing that out is that you are leaving the maritime provinces open so far as water trade is concerned east of Father Point and also on the Pacific coast; whereas you are discriminating against the ports of our own province, Montreal, Quebec, Three Rivers and Sorel; also in Ontario up as far as Fort William.

6. An amendment was proposed by the Minister on February 10, 1937, to the former Act known as Senate bill B, that it should not apply to vessels of 500 tons displacement or under. This has been left out of the present bill and sailing vessels with motor auxiliary engines operating between Quebec and lower ports, also barges with hay and other commodities to Montreal, would come under the proposed Act. Any attempt to control rates on this class of vessel will work a distinct hardship on small owners, shippers or consignees.

By the Deputy Chairman:

Q. Do you consider 500 tons would be sufficient?—A. 500 tons, I think, should be sufficient for the movement on the St. Lawrence in so far as the sailing vessels are concerned down to the lower ports. What we do object to is 150 tons. 150 gross tons is 15,000 cubic feet. 15,000 cubic feet of hay represents 75 tons. The average barge we have coming into Montreal at the present time holds 180 to 200 tons. It comes under the Act. How can we hope to have any of these private owners of barges or sailing vessels or schooners, some of whom can hardly write their names—how can we ever hope to get them to file a tariff giving a specific rate?

By Mr. McKinnon:

Q. I should like to ask the witness if he has any idea of the percentage of Canadian registered vessels plying between Halifax and Montreal?—A. Do you mean of the total tonnage?

Q. Yes?—A. I think there are seven. If you are referring to the Warren line—they are the ones in regular service—I think they have seven vessels all told. But this is subject to correction, that they are about 1,600 to 2,000 tons capacity each.

Q. The remainder would be vessels registered in Great Britain and some other places?—A. In Great Britain, and chartered. Remember, a British boat can be chartered and go up the lakes, just the same.

Q. There would not be very much involved between those ships plying between Canadian ports?—A. Even some of the Canadian boats are registered in the United Kingdom.

By the Deputy Chairman:

Q. Under the agreement of 1924?—A. Under the agreement of 1924. Are we going to put any restrictions on the movement of our Canadian tonnage or British tonnage, as compared with the little Norwegian or foreign owned vessels that can come across from Europe, take their cargo up through the upper lakes to either United States or Canadian upper lake ports, load a fair cargo and go back? They do not come under this Act. You are really putting difficulties rather than restrictions in the way of the movement of certain freight

by our lake vessels to and from Montreal, also the ocean vessels to and from Montreal.

Q. Will the increasing of the tonnage meet your objection?—A. How do you mean?

Q. From 500 tons or perhaps more than that?—A. From our own selfish standpoint, the grain trade, yes, 500 tons would. But you are more familiar than I am with the cargo situation east of Quebec on the schooners. I am only referring to the boats which largely come to Montreal.

I have not covered it in my brief, but the question has been raised about this Act that is proposed in the United States. The Minister stated that an Act is now before the United States Congress to cover the movements of lake vessels from their own ports to Buffalo or points east. I took that matter up with New York. Our friends down there tell us that in their opinion there is so much objection to it that it has no hope of getting out of the committee stage in Congress. I think, gentlemen, insofar as part 2 of the Act is concerned, it will be time enough for us to put restrictions on Canadian tonnage when our friends across the border take similar action in connection with United States ports. Those, I think, are briefly our objections to part 2.

Now I will go over to the agreed charges. I am not going to go into any detailed argument. We have heard the Traffic League. I had not met the gentlemen until to-night, but it is a peculiar thing that their ideas synchronize with ours, although we had no previous discussion.

By the Deputy Chairman:

Q. Except that you are making some explicit suggestions, and they did not.—A. I will read these objections first, and then maybe we can go back to them.

Part 5—"Agreed Charges":—

1. The terms of this Part permit discrimination by the railways in favour of individual shippers or territories and could provide a means whereby the railways might force the water lines out of competitive business. If, as claimed, these agreed rates must be the same for all persons, then the wording of the Act should be considerably altered to provide:—

- (a) Proper publicity of agreements.
- (b) Prevention of discrimination in favour of large shippers against their smaller competitors.
- (c) Safeguarding the interests of the water carriers who are essential to the free and economical movement of traffic during the summer season.
- (d) If the same products are being shipped from two points, say, in Ontario, equally distant from Montreal, one being a local point on the C.N.R. and the other a local point on the C.P.R., both railways should be obligated to make the same rate agreements to cover the shippers involved, otherwise discrimination will result.

2. Grain should be specifically excluded from Part 5 of the Act. It seldom moves by truck in competition with the railways, but does move in large volume by water. It is essential, therefore, that nothing should be done to interfere with the cheap and easy movement of grain from Western to Eastern Canada, either for domestic consumption or for export.

Last year before the Senate committee we heard quite a bit about this portion of the Act being predicated on the Act as in force in England. In fact, while I have not checked the English Act with this one I have been told that it more or less follows the same lines. The Honourable Mr. Guthrie, in his remarks before the Senate, said:—

It must be remembered that in this matter of agreed rates we are breaking new ground; in fact, it has hardly passed the experimental stage in Great Britain. It has been in operation there for only three

[Mr. C. Gowans.]

years, and we have no broad or definite information as to how it operates, other than press reports that it is satisfactory. It is well to bear in mind that our freight structure is a little different from that of Great Britain.

I thought it advisable during the winter when we heard this bill was going to come up to make some inquiries as to how it was operating in England. We are told that our government here have also made some inquiries and the thought has occurred to us to ask if the result of those inquiries showed that there was no discrimination in England or that the Act as applied over there was equally satisfactory to all the large shippers. I think the statement was made—I saw it in some of the early Hansard reports—that it was working out very satisfactorily in England. Now, I wrote over to the other side to the largest miller in the United Kingdom and got his reply the other day. I will file this. It reads as follows:—

With regard to the Agreed Charges Act 1933 which agrees with special contracts entered into between traders and Railway Companies, the Act has not been used by Grain and Milling trades and, therefore, it cannot be said to have had any effect on those trades. As a trade we were not in favour of the arrangement. The Agreed Charges are the subject of specific contracts between a particular firm and a particular Railway Company. To take advantage of a rate of this description the whole of our transport would have had to be handed over to the Railway Company at a fixed figure which would have been the same for the near distances as for the distant ones and as the bulk of British Millers' business very largely lies around their own Mills and the flour buyers prefer the Miller to deliver direct, it was not possible to enter into an arrangement with the Railway Company that would have been of advantage to the Miller.

For example, a Miller taking his wheat from the port to an inland Mill and delivering his manufactured product around his Mill, would have had to hand over his near deliveries to the Railway Company in order to get the lower rate on his wheat coming in from the port.

If a special arrangement is made by the Railways with one shipper this special arrangement is published and the lists are open to inspection by any other trader. Another trader would be able to obtain a similar concession if he desired it providing, of course, that his traffic was comparable with the rate agreed upon by the trader who enjoyed any particular rate.

Generally speaking, we think that these Agreed Charges do give an advantage to the larger trader to the detriment of the smaller trader. If a smaller dealer has premises at a distance from his source of supply, he has no chance of making an arrangement or a contract with the Railway Company that will compare with the rate that a multiple trader would enjoy who may have his retail premises in the same town as the smaller trader, because the multiple trader's rate would be a low one for his distant traffic because of the low average that would be obtained by reason of the deliveries in the nearer areas to the port of supply.

Now, that shows that in England the way the Act has worked there that there may be the possibility of discrimination between the larger shipper and the small shipper. If the act is to be carried out in the same manner here what is to prevent discrimination here also?

Mr. HANSON: Will you put that letter in the record?

The DEPUTY CHAIRMAN: We will have the letter returned to you.

The WITNESS: I do not need it, thank you. I got it for the purpose of presenting this information to the committee.

By Mr. O'Neill:

Q. It seems to me that there is objection to part 2 of clause 35—particulars of an agreed charge shall be lodged with the board within 7 days—could the witness give us an idea of how many days should be there for proper publicity?—A. It should be considerably longer than three days. I will tell you why. The people interested in the grain trade are located in various parts of the country and throughout the world. We have customers in England, Holland, France, Belgium and so on, and they are all interested in the cost of grain down to the Canadian seaboard. I can visualize a case—I do not want to get into any argument on agreed charges—but I can visualize a case where a person could go to the railways having a chance to buy grain of some particular grade at a particular Bay port, or at Fort William, and say if you will give us such a rate we will be able to move this, and the railways suggest it is a reasonable request and there will be no difficulty in getting that through the commission; and he buys his grain and he sells it abroad realizing that he may get the special rate and when his competitor goes after the business within 7 days it is possible that that particular grade of grain has all been purchased and there is no way of replacing it. That has happened. We have seen that happen, not in regard to special rates, but we have seen that happen in regard to special grain of one particular grade. We think if this committee decides that the agreed charges should go in in a modified form, we think so far as the grain trade is concerned that the only safe way to do in Canada is to eliminate from the agreed charges section grain and grain products. You will notice that in the rest of the Act grain has been taken—bulk grain—has been kept out of the first section, the second section, the third section and all the other sections to section 5. No reference whatever is made to grain in them.

Q. But that does not answer the question. You are making a suggestion to the committee that more time should be allowed. What do you consider would be an adequate period of time for publicity to the given rates?—A. I would say at least 15 days; or better, 30 days; especially if it is a long time agreement running for a year. But, as a grain trade we are opposed to the insertion of the agreed charges section. I do not think there is any necessity for that and I will tell you why. The agreed charges as we see it is to help the railways meet truck competition. Now, the grain trade does not use trucks to any appreciable extent. Some one might come in and take a little bit of wheat from an elevator in the east, but the general business of the grain trade is bulk shipping by water and by rail. If the intention is to take care of truck competition under the agreed charges then there is no necessity to cover grain in that item. We think it should be made clear that the agreed charges section is being published with the idea of meeting truck competition, and truck competition only.

By Mr. Young:

Q. Is it your opinion that grain is included in the agreed charges?—A. In the way the Act reads at the present time we judge it is.

Q. You think it is included in section 5?—A. We think it is included in section 5.

Q. It is not specifically exempted?—A. It is not specifically exempted and we would urgently urged upon you the necessity of eliminating grain and grain products from section 5.

The DEPUTY CHAIRMAN: Thank you very much, sir.

The Witness retired.

The DEPUTY CHAIRMAN: Gentlemen, in accordance with the agenda that was decided by the sub-committee we were to meet on Tuesday, May 17, at 10.30 o'clock. I understand that there is a Conservative caucus that day

[Mr. C. Gowans.]

and I think there is a Liberal caucus on Wednesday. I am afraid we will have to postpone our next meeting until Thursday at 10.30.

Mr. YOUNG: What is the matter with Monday?

The DEPUTY CHAIRMAN: You would not have enough members here on Monday.

Mr. MUTCH: We have done very well to-night.

The DEPUTY CHAIRMAN: We will meet again on Thursday next at 10.30 o'clock. May I at the same time convey my sincere thanks to the members of the committee for the courtesy they have done me by their attendance to-night.

The Committee adjourned at 10.50 o'clock p.m., to meet again on Thursday, May 19, 1938, at 10.30 o'clock a.m.